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THE REPORT

OF THE

COMMISSION ON EXECUTIVE, LEGISLATIVE,

AND

JUDICIAL SALARIES

COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
NINETY-FOURTH CONGRESS
SECOND SESSION

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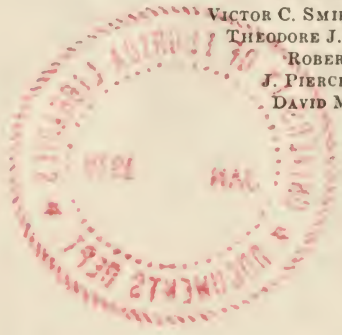

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Commission on
Executive, Legislative
and Judicial Salaries

1750 K Street, N.W.
Washington, D.C. 20006

December 2, 1976

The Honorable Gerald R. Ford
President
The White House
Washington, D. C. 20500

Dear Mr. President:

It is my privilege to present to you the attached report of the Commission on Executive, Legislative and Judicial Salaries.

All recommendations in this report have the unanimous support of the distinguished Americans who constitute the Commission. This unanimity reflects the urgency of the Commission's concern with a genuine crisis of public confidence in the quality and integrity of our Government.

We fear that the twin trends of ebbing public trust and the increasing difficulty of attracting and retaining high quality people may soon be irreversible -- unless the kind of actions suggested in this report are undertaken as soon and as vigorously as possible.

We further believe that the American public will understand that a small investment now in terms of increased salaries and a large investment now of conviction, time and effort in reform -- in the form of a new Code of Public Conduct -- will pay large public dividends in the building of a competent, full time and trusted government.

Respectfully submitted

Peter G. Peterson
Chairman, Commission on
Executive, Legislative and Judicial
Salaries

Mr. President -- on behalf of my fellow commissioners, we thank you for this opportunity to contribute.

SUMMARY

Introduction

Names of Commission members and members of the Task Force on Public Conduct.

How We Did Our Work

The concept of "total compensation," including benefits (pensions, insurance, etc.) and "psychic income" in the form of prestige and the sense of doing an important job for the country. A list of studies undertaken.

The Problem

Images and Reality - The executives in this survey have had only one nominal 5% increase in nearly eight years. The result - in the top grades - has been difficulty in recruiting good people, high early retirement, and bad morale caused in part by "compression" at the high levels of civil service, where 20,000 people in four grades all receive the same "frozen" salary. Why does Congress deny these raises? Because it knows the mood of Americans, who have far less confidence in public officials than before. Breaches of trust - even by relatively few - have reduced the willingness to increase compensation. Only a commitment to serious reform will convince Americans that trust and confidence can be restored, and that increases in salary are justified.

Recommendations - Part I:
A Code of Public Conduct

Proposed general principals of a Code to cover all public officials at Level V and above - executive, legislative, and judicial. Public disclosure of financial affairs. Rigorous restrictions on outside earned income. Strict conflict of interest provisions on investments. Appropriate and accountable expense allowances. Clear restrictions on post-service employment. Equal applicability across the three branches. Vigorous and consistent auditing. A proposed commitment to prompt action by all three branches after careful consultation and precise drafting.

Recommendations - Part II:
Compensation

o Principles of Compensation

The inappropriateness of "comparability" at these high executive levels. The need for executive salaries as low as possible yet sufficient to attract and retain high-quality people. Salaries should contemplate full-time work, and obviate the need for outside earned income (legal fees, honoraria, etc.). The need not to exclude people of high ability who depend entirely upon current income to support themselves and their families. The basis for granting less of an increase in the top levels, and more at the lower levels, where nonmonetary satisfications are less. A national pay standard, and one tied to the job, rather than artificially predetermined fixed relationships.

o Background Studies on Compensation and the Proposed Scales

Selected material from the Weber/-Yankelovich studies. Why executives enter government? Why they leave? How much of a consideration at either point is salary? Some sacrifice is customary. Relative salary advantages and sacrifices on entry into different branches. Realization of substantial increases on leaving government service. The different problem of the judiciary, a lifetime commitment to a substantially lowered standard of living. Pension costs as a "comparability" factor; postponement of executive contributions to the system as a way to improve cash flow during short-term government service. A proposal for relocation costs. A proposal to ease the "two-residence" requirement for Members of Congress and the problems caused by it. Annual automatic cost of living adjustments unwise.

o Salary Recommendations

The case for greater increases in judicial pay. Outside earning capacity abandoned for lifetime service. Throughout the three branches substantially greater rates of increase at the lower levels than at the higher levels. Smallest increase recommended for Cabinet officers. Large increases for assistant secretaries and the lower levels, where the problems are great and non-monetary income lower. The relationship among the salary levels of the Vice President, the Speaker, and the Chief Justice maintained through equal increases for each. Congress raised slightly less than average but still a substantial amount - remembering our proposal to eliminate most outside earned income, and recognizing the strong desire of Congress to be conservative on the matters of members' pay. "Compression" greatly reduced to a satisfactory level.

Recommendations - Part III:
Quadrennial Commission

A concept for a permanent quadrennial commission, with a four-year term and a full agenda. Organization and responsibilities of the proposed commission. Proposed studies of the varying pension systems within the government, particularly variations in benefit levels, cost assumptions, (static projections seriously underestimate funding needs), early retirement program, and funding and budgeting generally. Do the people understand the funding shortfalls? Life insurance benefits should be studied as well. Some coverage seems inadequate, some inconsistent. The problem of proper job classification; some serious anomalies.

Submittal to the President

Unanimous agreement on recommendations. No dissenting positions.

INTRODUCTION

Under existing statute, a Commission on Executive, Legislative, and Judicial Salaries is formed every four years to make recommendations to the President on the appropriate level of compensation for the Vice President and for positions in the Executive Branch from Cabinet officers through Level V, for the Members of Congress, and for Supreme Court Justices and other members of the Federal judiciary (the complete statute is presented in an Appendix).

The nine Commissioners are appointed by representatives of each of the three branches of the Federal Government. Three, including the chairman, are appointed by the President, and two each by the Chief Justice, the Speaker of the House of Representatives, and the President of the Senate.

The Commission makes its recommendations to the President and he submits his recommendations as part of his next Budget message.

The recommendations from the President go into effect within 30 days, unless they are disapproved or modified by either the House or the Senate.

Members of the 1976 Commission are:

Appointed by the President:

Lane Kirkland
Secretary-Treasurer
AFL-CIO

Norma Pace
Senior Vice President and Economist
American Paper Institute

Peter G. Peterson - Chairman of the Commission
Chairman of the Board
Lehman Brothers Incorporated
Former Secretary of Commerce

Appointed by the President of the Senate:

Joseph F. Meglen
Lawyer
Partner: Meglen & Bradley

Bernard G. Segal
Lawyer
Chairman, Schnader, Harrison, Segal & Lewis
Past President, American Bar Association

Appointed by the Speaker of the House of Representatives:

Edward H. Foley
Lawyer
Former Undersecretary of the Treasury

Sherman Hazeltine
Chairman of the Board
First National Bank of Arizona

Appointed by the Chief Justice of the United States:

Charles T. Duncan
Dean
Howard Law School

Chesterfield Smith
Lakeland, Florida
Lawyer
Partner: Holland & Knight
Past President, American Bar Association

Executive Director:

Wesley R. Liebtag
Director, Personnel Programs
International Business Machines Corporation

In the belief that public confidence is directly related to a set of perceptions of the conduct of public officials, we asked a special task force of distinguished Americans to propose a set of standards for public officials in the difficult area of conflict of interest, outside income and post-service employment. We are most grateful for their efforts, and we believe the proposed Code of Public Conduct to be a significant element in our proposals. The members of the task force are listed on the following page.

Members of the Task Force on Public Conduct

Mortimer M. Caplin, Chairman of the Task Force
Partner: Caplin & Drysdale
Former Commissioner of Internal Revenue Service

Tom Bradley
Mayor, Los Angeles, California

Tom C. Clark
Associate Justice, U.S. Supreme Court, Retired

C. Douglas Dillon
Former Secretary of the Treasury

Ray Garrett, Jr.
Partner: Gardner, Carton, & Douglas
Former Chairman, Securities and Exchange Commission

Martha W. Griffiths
Partner: Griffiths & Griffiths
Former Member, U.S. House of Representatives

Leon Jaworski
Partner: Fulbright & Jaworski
Former Director, Office of Watergate Special Prosecution Force

William McChesney Martin, Jr.
Former Chairman of the Federal Reserve Board

George Romney
Chairman, National Center for Voluntary Action
Former Industrialist, Secretary of Housing and Urban Development

William D. Ruckelshaus
Senior Vice President, Weyerhauser Company
Former Deputy Attorney General

George P. Shultz
President, Bechtel Corporation
Former Secretary of the Treasury

Stuart Symington
United States Senator

Cyrus R. Vance
Partner: Simpson, Thacher & Bartlett
Former Deputy Secretary of Defense

W. Willard Wirtz
Partner: Wirtz & Gentry
Former Secretary of Labor

HOW WE DID OUR WORK

It might be useful, at the outset, to explain how the Commission went about its duties. The staff was composed principally of personnel executives from private industry, and personnel and manpower experts from academia.

While government specialists made some important contributions, there was a general feeling that the work of this task force should be directed by and presented to the Commission by representatives of the private sector, as well as by our able Executive Director, on the theory that the objectivity and thus the credibility of the studies would be enhanced if the government members were not, in effect, sitting in judgment on their own compensation problems. Accordingly, leading personnel executives with backgrounds in major private concerns such as IBM, Eastman Kodak, RCA, Hay Associates, and Pfizer were brought in to take a major role in the various research projects.

We turned to Dr. Arnold Weber, Provost, Carnegie-Mellon University, for some original research on why people came, didn't come, stayed, and left government service and what the role of compensation was.

At the threshold of its deliberations, the Commission determined to study the problem in terms of "total compensation", rather than merely limiting its inquiry and its recommendations to questions of salary alone. Man does not live, the Scriptures tell us, by bread alone (whether the ancient or modern meaning of the word), and there are many elements of remuneration which go to make up a salary, a wage, compensation. Such obvious benefits and perquisites as pensions, insurance, vacations, severance pay, profit sharing, and the like have all become familiar parts of the wage "package". To those available to the senior government executive, judge, or legislator must be added the "psychic" income of a fulfilled sense of patriotism, the knowledge that one is doing (and perhaps doing well) an important job for one's country as well as, to be sure, the sense of importance which attaches to many of these positions at or near the top. There is also the strong possibility of career enhancement after government service is over. On the negative side there is income and career advancement foregone in the private sector, the difficulties of transferring family life to a new, expensive, and probably unknown site, and - again in the case of the Judicial and Executive Branches - the above average possibility of a substantial drop in annual income.

Consistent with this desire to examine total compensation, the following are examples of studies which were conducted:

Salary and Economic Indicators and Trends

- Federal government salaries - all levels
- State government salaries - selected jobs
- Private sector salaries - blue collar, clerical, professional, and executive
- Salary spreads between organization levels
- Geographic salary rate differentials
- Cost of living

Fringe Benefits in Government and Private Sector

- Pension - size, costs, funding
- Medical and health plans
- Life insurance plans
- Perquisites
- Moving allowances and housing reimbursements

Other

- Conflict of interest
- Disclosure
- Post-government service employment
- Auditing procedures
- Tenure
- Retirement
- Recruiting
- Attitudes of top government officals towards pay and other factors that may influence decisions to join, remain in, or leave government service

Finally, the Commission wished to assure the fullest possible exposure of the data to public review and also wished to assure its own exposure to comment from the many interested parties.

All studies were presented in public hearings.

Over 100 organizations and individuals were invited to testify and 24 appeared.

Written comments were received from over 100 sources.

Over 520 individuals from all three branches - incumbents, departees, as well as those who decided not to come to government, were interviewed by the Yankelovich, Skelly and White firm in the study for Dr. Arnold Weber.

In addition, a number of key government officials were asked to provide their views on specific issues - in particular, those officials in present and previous administrations who had the recruiting responsibility.

The Commission also examined, to its great profit, the report prepared in 1975 under the direction of Vice President Nelson Rockefeller, the report on the Federal pay system, which report contributed strongly to the Commission's decision to consider "total compensation" in the course of its deliberations instead of merely looking at salary levels. Vice President Rockefeller also contributed a substantial and thoughtful statement for the consideration of the Commission.

In carrying out the work outlined in this report, the Commission was well aware that its legal responsibility is primarily recommending rates of pay to the President, but we were also aware that we met in time of crisis, that the rate of good people leaving the government in the upper grades had become a flood, that partly because of the crisis of confidence in the nation no significant pay raises at all - whatever the recommendations of Quadrennial Commissions - would have been granted for eight years, and we quickly saw that a recommendation for substantial salary increases, unaccompanied by any reference either to the other elements of income or the crisis of confidence, would meet the same fate as did the recommendations in 1974. We did not believe we had been convened to perform an idle act. Mr. President, in the spirit of that belief, and mindful of our legal and moral obligations, the Commission respectfully presents this report.

THE PROBLEM - IMAGES AND REALITY

On September 22, 1976, Congress acted to deny a small upward salary adjustment to the top employees of all three branches of the Federal Government, an adjustment which reflected a percentage increase based upon a comparability study with the General Schedule and which would have occurred automatically had Congress not voted affirmatively to deny it.

The action was hardly justified by the facts. Since 1969, Federal judges, all members of the House and Senate and top officials of the Executive Branch had received only one increase in salary - and that had been 5%.

This "freeze" had occurred during a period of sometimes double-digit inflation and regular pay increases for workers in all other parts of society, including government at all levels - state, local and the Federal Civil Service General Schedule.

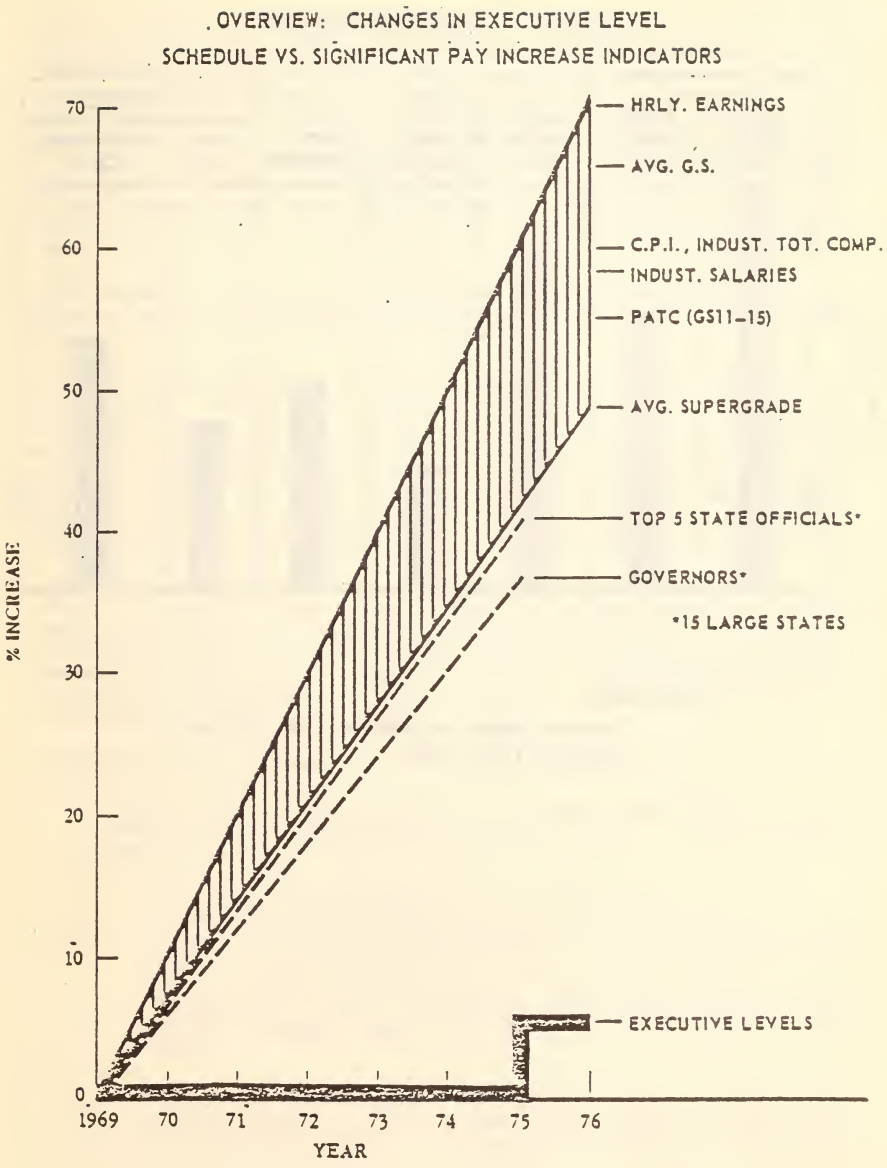
During the time in question - 1969 to 1976 - in which the officials whose pay is the subject of this report received a total 5% increase, average hourly private non-farm earnings increased by 70.1%. The Consumer Price Index for urban wage earners and clerical employees went up nearly as rapidly, by 60.5%.

General Schedule Federal Civil Service pay increased on the average during that period by 65.7%, and in the so-called "super grades" GS 16 - 18, by 48.9%.

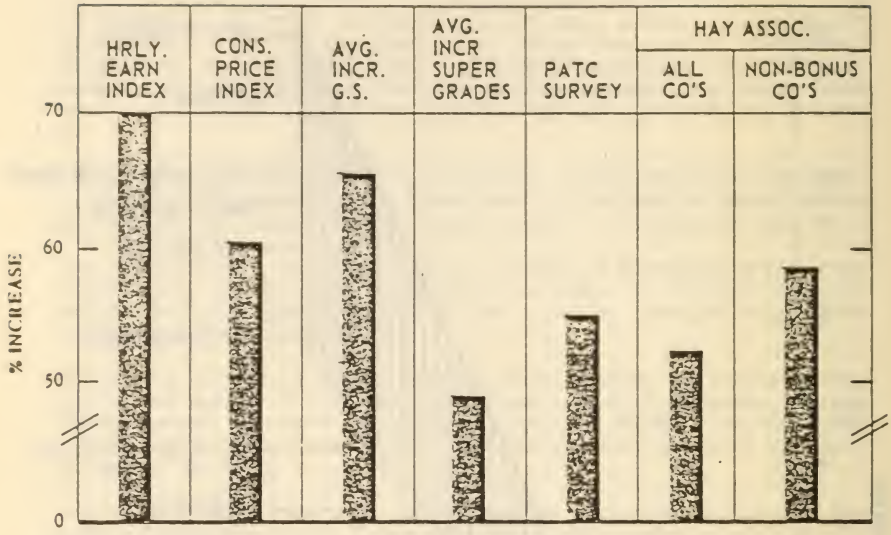
The 1976 survey of executive pay ($30,000 to $65,000) in 318 private companies showed a salary increase during those seven years of 52.5% in all companies and of 58.6% in companies where no bonuses were paid.

In fifteen major state governments, in the years from 1969 to 1975, the Governors' pay was increased by 37.7% and that of the top five administrative officials by 41.5%. In general, all the indicators - including those cited above - demonstrated an approximate 55% increase in comparable salary rates since 1969 which, allowing for the 5% increase in 1975, would have required a 30% increase in Executive Level salaries by 1976, just in order to provide comparable treatment. The charts on the following pages dramatically illustrate the disparity in treatment at the time the Congress chose to deny a modest 5% increase to the judiciary and Executive Levels and, to be sure, to its own members.

The problem which Congress addressed - or, more properly, failed to address - ran deeper than merely a substantial lag in salary increments over a nearly eight year period. Since, by statute, the employees of the Civil Service General Schedule cannot be paid more than the salary of the lowest level of executives - Level V - these employees at the GS-18 level and below were "frozen" at existing pay levels soon after the 1969 adjustment. As increases have been granted in the General Schedule over the years - more or less comparable to those granted elsewhere in and out of government - this "compression" has added more and more upper level


OVERVIEW: CHANGES IN EXECUTIVE LEVEL
SCHEDULE VS. SIGNIFICANT PAY INCREASE INDICATORS
% INCREASE
70
60
50
40
30
20
10
0
1969
70
71
72
73
74
75
76
YEAR
HRLY. EARNINGS
AVG. G.S.
C.P.I., INDUST. TOT. COMP.
INDUST. SALARIES
PATC (GS11–15)
AVG. SUPERGRADE
TOP 5 STATE OFFICIALS*
GOVERNORS*
*15 LARGE STATES
EXECUTIVE LEVELS

SUMMARY OF INDICATORS 1969–1976



CONCLUSION:

Indicators suggest an approximate 55% increase in salary rates since 1969.

civil servants to the "frozen pay" category. This has now reached down to the middle steps of GS-15, with the result that more than 20,000 men and women in grades 15 to 18 as well as comparable grades in the foreign service and other government salary groups have for years faced, and face now, the prospect of no pay increase when they are promoted. They have, in the words of the song, "gone about as far as they can go". This means that in most government agencies executives at four and sometimes five levels of management are paid at the same "frozen" salary rate. Thus, in one study, over 40% declined a government job offer which involved an increase in responsibility but could not involve an increase in pay.

This situation led, for example, to a circumstance where a NASA official told us that 47 people who work for him make as much or more than he does.

This also has a noticeable effect on retirement rates. The retirement law provides for semi-annual increases in annuities commensurate with increases in the cost of living, and only this year has an added 1% "kicker" been eliminated. Since the cost-of-living upward adjustment had gone only to retirees, and not to those who remained on the job at a "frozen" salary, the latter group forfeited the annuity raises awarded during the period of the seven years. This was more than an incentive to early retirement; some thought it was a virtual command to retire when first eligible.

And so it proved to be. Only 19.9% of all eligible employees retired during the year beginning November 1973 but 29.9% of "frozen rate" executives did so in the same period. (Members of Congress who chose to retire are not included). For the following year, the general rate remained relatively constant at 19.5%, but early retirement by executives whose salaries were "frozen" jumped to 46.6%.

According to the Chairman of the Civil Service Commission:

> Generally, the objective evidence of problems seems greatest among certain highly paid professions, where there is easy movement between the Government and the private sector:
>
> - Many agencies, and particularly the regulatory agencies, report tremendous difficulty in retaining attorneys, since the skills they have acquired in regulatory work enable them to make much more in private practice. For example, at ICC the General Counsel and the Deputy General Counsel both resigned this year. In a single agency, the National Labor Relations Board, fifteen administrative law judges left last year.
>
> - The Social Security Administration was unable to fill its Chief Actuary position for over a year, during which time more than 30 candidates refused the job because of the pay.

- Key scientists and researchers have been retiring and resigning at an unprecedented rate. From 1969 to 1976, the Air Force lost 46 percent of its top scientists. Forty candidates refused the post of director of a major new Defense Department research program, with the majority saying they would have to take a pay cut to accept.

- In the last three years, four of the eleven Institute Directorships at NIH have become vacant and remained vacant nearly a year, with 85 out of 87 outside candidates refusing the jobs because of pay. EPA finds that the senior physicians it needs to conduct its clinical research programs are earning up to $80,000 in private practice or medical schools.

While the evidence of the impact of the executive pay situation may be most dramatic among the professionals, the problem certainly exists among all types of managerial jobs:

- The Social Security Administration lost nine of its nineteen supergrades to retirement at one time last year.

- The average retirement age among Air Force supergrades has dropped from 62.5 in 1969 to 56.5 in 1975.

- More than half of the Civil Service Commission's supergrades have retired in the last three years.

Another aspect of the executive pay problem that is proving very difficult for agencies to deal with is the refusal of employees to accept geographical reassignments (particularly to Washington, D.C. or New York City) or promotions to more difficult jobs because no pay raise would be involved:

- Five of the Defense Contract Audit Agency's six GS-16 Regional Managers declined to be considered for promotion to the GS-17 post of Deputy Director.

- Several GS-15 meteorologists refused to be considered for the GS-16 post of New York Regional Director of the National Weather Service.

- Fifteen managers at GS-15 and higher in the Veterans Administration have refused reassignments in the last year.

- Many IRS executives have refused to be considered for promotions; IRS has had 51 payless promotions in the last two years.

The same stories are told in the Judicial Branch. Deputy Attorney General Harold Tyler, whose job includes a major responsibility in connection with the selection and nomination of candidates for the Federal bench, gave it as his "firm opinion in the last 19 months there has been strong circumstancial evidence, if not direct evidence, that current pay

scales in vogue for the last several years are discouraging qualified men and women, particularly in the age group from 40 to 55 years, from considering taking a judicial appointment."

Why then, in the fact of this available evidence, did Congress choose to deny, yet again, a relatively small increase in salary to executive and judicial officials, including Members of Congress?

The people's representatives who voted this way surely were not obtuse; they knew the alarming facts. They had no desire to deny themselves, judges and executives a pay raise out of some real or imagined grievance. On the contrary, they knew the scope of the problem and the need for a solution - in the form of a substantial increase. But they also knew, better than anyone else in government, the mood of America, and they knew that the consequences in November for any Congressman who voted himself a pay raise in September - however justified - would be paid at the ballot box.

Congressmen and Senators are unique in many ways, but in none more so than that they are virtually the only employed Americans who have the power to set their own salaries.

They do not covet that power; they would gladly assign it to someone else, almost any else. But it is a constitutional burden they must bear, and in 1976 that meant bearing, as well, an even heavier burden. The American people had lost confidence in Government - despite a vastly improved climate of trust in the Presidency itself - noticeable since the end of the "national nightmare" in August, 1974. They did not trust their leaders. They did not believe them to be people of honor, integrity and probity. And they believed these defects to be most clear when the subject was money.

The great social historian of our country, Alexis de Tocqueville, noted as early as the first half of the last century an abiding difference between our democracy and the aristocracy of other lands, including France, his own. A democracy, he noted, pays its secondary officials well but is "parsimonious only towards its principal agents". The scale of remuneration, observed de Tocqueville, is determined by a comparison with the people's wants. Americans lived, he found, in great comfort and sought to have their servants share in that comfort. But lacking any "distinct idea" of the needs of a high official, and envious when they did have such a distinct idea, they made salaries "diminish as the power of the recipients increases".

De Tocqueville was speaking only relatively, he deemed it proof of this theory that the Secretary of State earned only three times the salary of the "Chief Clerk" at the Treasury and the President only four times the salary of the Secretary of State. We have become even more egalitarian since. What would de Tocqueville have made of the phenomenon known as "compression", by result of which the top several grades of "clerk" all earn the same amount so that the Chief Clerk makes no more than, let us say, many of his own assistants, and theirs as well? How would he have accounted for a system of executive pay in which cabinet heads -

Secretary of State and the others - earn not 300% of the salary of the Chief Clerk, but only 150% of it? And in which 100 United States Senators and 435 Representatives earn only 12% more than some 20,000 "clerks"?

It is more than a healthy egalitarianism which has brought us to this pass. Our people are younger (63% of our Congressmen are 38 years old or under and in January more than half will have only four years of seniority or less), better educated, and to be sure, more informed. Although great differences in income and what the academics like to call socio-economic status still exist, we have nonetheless progressed in the 150 years since "Democracy in America" first appeared - even closer to that egalitarian ideal foreseen by de Tocqueville. So that healthy scepticism toward authority, expressed in an anti-aristocratic denial of huge salaries to those who govern us, is as strong, if not stronger, as ever.

But in the past decade, other and less healthy forces have been at work which have greatly aggravated the unease about public officials and the reluctance to reward them with adequate compensation. This sentiment - whether called "anti-Washington feeling" by political observers (and successful politicians) or "alienation" by public opinion analysts and social commentators - has been easy to detect and, for the people's representatives, easy to act upon.

For more than a decade, the number of Americans who agree with the statement, "people in government don't care about people like me" has steadily risen. The percentage of Americans with a reasonable degree of trust and confidence in their public officials - not that they be <u>right</u>, only that they tell the <u>truth</u> - has declined precipitously.

- Dr. Gallup tells us that the general level of trust in government has fallen from 76% in 1964 to 33% in this year.

- A survey by Yankelovich, Skelly & White this year yielded the alarming statistics that 61% of the people believe "there is something morally wrong with the country."

- The same survey showed that 83% of the respondents say that they do not trust those in positions of leadership as much as they used to.

- Surveys in the mid 60's showed that 1/3 of all Americans felt isolated and distant from the political process. By the mid 70's, a <u>2/3</u> majority reported an attitude of "what I feel doesn't really count."

- An assessment of spending priorities among Americans ("spend more," "spend less"), of a dozen categories compiled earlier this year, revealed that the only category faring less well than government salaries was foreign aid, both as to the large number saying "spend less" and the small number saying "spend more." Even "welfare," not traditionally an area in which many Americans want increased spending, fared better in the survey than government salaries.

These serious developments - this steady slide of public confidence in government - did not just happen. This was no ordinary historic or cyclical pattern. On the contrary, it came as the inevitable result of a series of government crises - scandals, in the common usage of de Tocqueville's time - which successively shook American's faith in the probity of public officials.

By the mid-nineteen seventies, 70% of all Americans say they get most of their news from TV and 50% identify television as the source of all their news. Over the past decade here are some of the messages which have flickered into our living rooms.

- The Viet Nam War, in which we came to doubt the truth of what we were told about our allies and about the war itself - from successive administrations of both parties.

- Watergate and all that was subsumed under that heading. A President who resigned in the face of impeachment charges, and several of his aides convicted of an obstruction of justice involving the payment of large sums of "hush money".

- Unreported campaign contributions paid illegally by American corporations.

- Campaign money, some of it paid illegally and all of it secretly from special interest groups such as the milk producers.

- A Vice President resigned after a plea of nolo contendere following charges that he had taken bribes in the very executive office of government.

- A powerful committee chairman of the House resigned after charges that public funds had been used to pay an employee whose "work" consisted only sexual favors for the boss.

- Corruption of foreign leaders by some of the same corporations, resulting in the public disgrace of the leaders of some of our allies and the indictment and trial of others.

- Allegations of the improper use of union pension funds, including links to organized crime, in a union whose ex-president had been pardoned, some felt for political reasons.

- Current reports of payment by foreign citizens to Congressmen and other public figures perhaps more than 100 in all.

After all of this, to which must be added revelations of illegal and perhaps criminal activity by the very agencies charged with keeping the peace at home and abroad, is it any wonder that public confidence in government has never been lower? Is there any wonder that public officials have come under the same general civic indictment, that they are believed (however wrongly as to the great majority) to be taking advantage of high salary and retirement scales, that expense accounts

and reimbursable payments, staff and travel allowances, outside income (in some cases in excess of salary) and honoraria from trade associations and trade unions or "legal fees" from corporations - all are believed to be ways in which the top officials take financial advantage of their positions in ways the ordinary citizen cannot. Is it a surprise that the major explicit and implicit public issue in the elections of 1976 - local, state and national - was the relation between the citizen and the government - in which the government and its conspicious representatives suffered by comparison?

This Commission, Mr. President, could have interpreted its mandate narrowly, looked at the impressive data which was developed and which make it clear that the failure to accord substantial increases in salary to the top levels of all three branches of government has led to a crisis - a crisis whose impact on the public is substantial. We could have concluded that without that substantial increase the problems would only worsen - "compression" will, in a few years "freeze" all employees of GS 15 and begin to creep lower; early retirement will increase as will the number of vacancies in key jobs because of the unwillingness of competent people to fill them. We could have noted all that, proposed new pay schedules recommended herein, and counted our task as finished.

But our task would not have been finished, because we firmly believe that without serious attention to the nature of the larger crisis we have described - the crisis of confidence and of trust - our labors would have been useless. The members of both houses of Congress are close to the people and they can gauge the extent of this greater crisis better than others. They would have anticipated the response of the American people confronted with a substantial salary increase and too few checks on what they perceive to be continuing breaches of public trust. The result would be the same as it has been for the past eight years.

We have therefore assumed as part of our task the proposal of a new Code of Public Conduct - reforms applicable to all three branches of government, which we believe must be the indispensible prelude to a popular acceptance of a general increase in executive, legislative and judicial salaries.

We have proceeded on a basis, from the beginning of our deliberations, of "total compensation", and we believe these proposed reforms to be the way to pursue that end. Americans are not blind to the problems discussed here, nor do they wish to punish all bureaucrats, legislators, and judges for the sins of the few. But they do believe that a public office is indeed a public trust. They will pay a fair day's wage for a full day's work but they want to know that the salary they pay is the salary the public servant receives. They will pay enough to avoid the necessity of hidden "moonlighting", but they want to know - and be able to verify - that there is none of this "moonlighting" going on anyway. They want open, fair and responsive government from fair and honorable people who work full time for what they receive - and they will pay adequate salaries if they believe that what they pay for is what they get.

What is the alternative? It is a nice question, but which we do not have much time to answer: whether and for how long a free society can endure if the majority of its members believe that many high officials are serving a private interest and not the public?

Do we continue, then, down this path of increasing public cynicism? Do we lose more and more of our best officials who want to stay in public service - whether elected or appointed - but who nevertheless resign under the spur of higher and higher living expenses, particularly the education of their children? Do we force fine men and women into early retirement, not only because they can no longer ask their families to make the financial sacrifice, but as well because they choose no longer to abide the increasing public abuse which accompanies the government post? It is one thing to stay in the kitchen and take the heat that comes with the political territory; it is quite another to bear the suspicion and doubt properly earned by others.

We have not only reviewed the statistics of the past, impressive as they are. We have talked privately with some of our most senior and respected career officials, who speak sadly of the likelihood that they will have to leave government service. This is true not only of those high in the bureaucracy; we speak here of some highly respected elected officials as well.

If we continue down the path of the past eight years, in which the politics of survival have required no pay raises at all, we must accept the implications of a government of only the rich, or only the young and untried or, more likely, a government of those who are willing to compromise themselves with political money. The costs of such a government reach beyond the costs of a salary increase; they are incalculable, and to a free people unacceptable.

But this cynicism, this lack of confidence, is not our natural state, as the data shows. We are an optimistic people and we have always believed that times will be better - and so they have always turned out to be. We can achieve a rebirth of that confidence that has always sustained us, but to do so we must begin the slow process of restoring trust in our public institutions and the people who guide them.

We believe a commitment to the principles of reform which follow could be the first step in this process.

RECOMMENDATIONS - PART I:
A CODE OF PUBLIC CONDUCT

Mr. President, we believe it an exercise in political futility (a judgement Congress has confirmed more than once) to propose any significant increase in executive, legislative, and judicial salaries unless you are satisfied that the leaders of the other branches of government will join you in a commitment to major reform. (Speaking for ourselves, we would not have proposed significant salary increases except in the context of such reform). Such a reform must be sufficiently tangible to persuade a substantial majority of Americans that the Post-Watergate era has truly begun. Such a majority is by no means persuaded now.

We believe that this program - this Code of Public Conduct -should encompass the following general principles, to be applied by developing regulations to govern the activities of all members of the judiciary, the Congress, and officials of the Executive Branch above a certain level. While we understand that we cannot completely eliminate conflicts of interest simply by devising rules, we believe major improvements and clarifications are possible and necessary.

We recognize that the Administration is presently in a period described as transition and that any legislation which might be formulated as a result of this report would have to be enacted during the term of office of your successor. Therefore, we would certainly support such continuing consultation with the President-elect as you deemed appropriate.

PUBLIC DISCLOSURE

All such individuals should be required to make disclosure of their financial affairs by periodically filing with an appropriate authority, as suggested below, financial statements showing all income, by source and amount, reimbursements for travel and other expenses, gifts, debts, and personal holdings. Such information shall be made public unless the appropriate authority specifically permits the confidentiality of certain information, for example, in order to avoid impairing the privacy of others, or in certain special situations, the privacy of the individual. In any case, however, the information should be available in an official proceeding whether legislative, judicial, or administrative.

Discussion - Currently, disclosure requirements in the Executive and Legislative Branches are incomplete, inconsistent, inconstant, and in general inadequate. For example, in one of the houses of Congress, the source of honoraria (for speaking engagements) above $300 is publicly available, but not the amount. It is no great service to discover that one or another pressure or interest group has been regularly paying a member without being able to find out how much. Indeed, the whole question of honoraria needs to be examined. It is conceivable that in some cases, the person has not been engaged for the occasion merely because of substantive or oratorical skills or his added prestige to an otherwise ordinary meeting: sometimes the member's legislative standing has weigned in the equation.

There will be cases where close questions will arise between the demands of individual privacy and the public's need to know. It is certainly not our objective to make the disclosure rules so onerous an invasion of privacy that we discourage first-rate people from entering public service. It is for these reasons that we believe that an appropriate authority should review these disclosures and make these sensitive judgements. If, in an extreme case, the appropriate authority wishes to make information public in a confirmation hearing that the individuals believe is an unnecessary invasion of privacy, then the prospective appointee should be given the opportunity of withdrawing his or her name from consideration.

As to "other" income for services rendered, in the House of Representatives the source but not the amounts over $5,000 of income from a "single source" are reported. But not, alas, publicly - this information, inadequate as it is, is sealed and available only for an "Official Investigation". In the Senate, income other than from honoraria and contributions, is filed under seal but not reported to the public. Thus, the public is denied the relevant information on "other" income earned, which might reveal a real or apparent conflict between the private interest of the employee and his official government duties. (If, as Justice Brandeis said, "sunlight is the best disinfectant", then the average citizen remains in the dark as to this private compensation beyond a public salary).

RIGOROUS RESTRICTIONS ON OUTSIDE EARNED INCOME

The government should provide fair and reasonable compensation to its public servants sufficient to permit them to meet all normal personal and family obligations without the need for outside income. All executives, judges, Senators, and Representatives may then be reasonably expected to devote their full time and energies to their public employment, and the earning of outside income should be restricted. Under these circumstances, they should be prohibited from receiving honoraria, legal fees, gifts, or the proceeds of testimonial dinners, etc. for personal use, and any other compensation for services rendered which might have, or appear to have an influence on the conduct of the public's business.

At the same time, we want to fix the salary levels so that high executive posts are not reserved solely for wealthy individuals with sufficient savings, estates, or investments - i.e., unearned outside income - to whom these regulations are unimportant.

We are not unmindful, Mr. President, that we have raised here the whole question of "money in politics", most of the ramifications of which, such as the influence of personal wealth and campaign contributions on elections, are outside the scope of this report. But clearly, a new public image of government must include further reforms in this area as well.

Discussion - Many public officials have told members of the Commission that they are uneasy about some of the outside income they accept, and only do so because of the pressure of rapidly rising costs and static salaries. Thus, we believe most public officials and private citizens would

welcome a salary level which would permit the minimization (for example, perhaps nominal amounts to be earned from academic lectures or writing, provided such activities did not impinge upon the work of the government) or elimination of outside earned income entirely.

STRICT CONFLICT OF INTEREST PROVISIONS UPON INVESTMENT

Tight but sensible provisions should be developed in order to eliminate - or at the very least minimize - those conflicts that necessarily arise when the economic investment interest of the individual falls within the scope of his public responsibility. The involvement of government in our economic affairs has become such that as a people we have probably lost the capacity to eliminate entirely all conflicts of interest, particularly those which are minimal, occasional, and transitory. In some cases - indeed, in most cases - public disclosure may be adequate protection. In others, where there is a direct conflict (as in certain executive departments, legislative committees, or certain cases before a court), it would be desirable to review the potential conflict with an appropriate and perhaps new authority. A specific procedure could then be recommended to fit the particular case - whether it might be divestiture, a blind trust (which might be devised so as to be deaf as well) or, in some cases, abstention from the particular decision - so as to minimize a real or apparent conflict.

APPROPRIATE AND ACCOUNTABLE EXPENSE ALLOWANCES

There is a need for much more consistency in the availability of legitimate expense allowances in all three branches of government, including domestic and - when appropriate - foreign travel, entertainment granted and received, and gifts. Equally as important, there is a need to reassure the public that, once these allowances have been granted the expenditures reported are indeed made for the permitted and specified purposes, and not as a mask for substitute income.

Discussion - The Commission notes wide differences among the various branches and, for that matter, various positions within the branches, as to the scope and nature of expense allowances. (The Speaker's expense allowance is $10,000. The Chief Justice's is $5,000. Yet it is reported that the Chief Justice is also often expected to represent the judiciary in outside contacts with both domestic and foreign groups. We would simply argue that the system of government allowances should have coherence). A permissible expense in one place is not permitted elsewhere. A ceiling imposed in one branch may be exceeded in another and, as recent revelations have made clear, the auditing of expense accounts has been, from time to time and from place to place, loose enough to permit (or perhaps to encourage) the flow of expense funds as a substitute for denied salary increases, or at levels higher than the public would support were they made public. Various GAO studies have been regularly critical of the opportunities presented for abuse in this area. Most of the criticism is directed at loose definitions and lax administration of expenses, so-called "administrative funds," and travel and gift allowance regulations. In this connection, we commend the efforts in Congress such as those of the Obey Commission in the House of Representatives to

rescind the authority of the Committee on Administration to expand, change the character, or create new categories of allowances without a vote of the members of the full House, as well as efforts to consolidate accounts, abolish extra postal allowances, eliminate so-called "cash outs," and to require documented vouchers. It is a useful first step.

POST-SERVICE EMPLOYMENT

Restrictions should be imposed - throughout the government - so as to insure that top executives, judges, or legislators do not compromise either their objectivity or that total devotion to the job to which the public is entitled, by any arrangements they may make while in public employment with respect to subsequent employment or other relationships. Different departments or branches have different rules which limit post-service employment. More consistent and explicit rules are needed. In this way, all government employees and even more important the public could and would know the limits of permissible conduct. The present ambiguities permit alleged "revolving door" arrangements through which company executives, government regulators, and contract negotiators pass freely, changing hats or uniforms as they go, doing damage to public respect for government.

EQUAL APPLICABILITY ACROSS THE THREE BRANCHES OF GOVERNMENT

We recognize there are Constitutional and operational issues as between the various branches of government. However, if we assume that our senior officials are to be paid enough to meet all normal personal and family obligations without the need for outside income, then these regulations should be broadly applicable across all three branches of government. Differences in form and function among agencies, departments and positions, elected or appointed, have in the past dictated differences in treatment in this area, but surely the over-riding interest of the government and the people in open and respected administration of the people's business should generally prevail over differences that may exist.

VIGOROUS AND CONSISTENT AUDITING

An appropriate body or bodies should be established - or if an existing one is to be so charged, it should be strengthened - to insure that these requirements are fully enforced and that all information disclosed under this Code of Public Conduct is regularly and adequately audited and publicly reported.

Discussion The acceptable standards in the conduct of the public's business should be even higher than those of the marketplace. Yet today, most would agree that the auditing procedures of our larger public corporations - which standards are themselves coming under increasing question - meet a higher standard than those imposed in many areas of the government.

ONE APPROACH TO A CREDIBLE, TANGIBLE COMMITMENT TO IMPLEMENT THIS CODE OF PUBLIC CONDUCT

In order to translate the principles of reform - which really constitute the essential preconditions for acceptance of upward salary movement by Congress and the public - we suggest a Presidential meeting with the Chief Justice and the leadership of the Senate and the House. Such a meeting would be counted historic if its result were a joint commitment to action on a Code of Public Conduct. (We know you will, of course, at all times want to be especially sensitive to the Constitutional perogatives of the other branches with regard to the qualifications of their members).

Such a commitment could consist of three major actions:

1. A Commitment to the Principles of the Code

   This is a largely symbolic act, and would require no more than agreement to proceed, but we live in large part by symbols, and the crisis in confidence and trust in many ways reflects that fact. A formal signing of a declaration to proceed, and a commitment to the principles of the Code set forth above, would be persuasive to the public that action had begun.

2. A Commitment to Prompt Action

   We do not underestimate the complexity of the problem, nor the need to proceed with great care and caution in devising specific regulations and new mechanisms, but neither do we underestimate the public impatience with unnecessary delay. We believe it would be reasonable for you, Mr. President, to call for the Code's being in place and functioning throughout the three branches within nine months.

3. A Commitment to a New Mechanism to Meet the Schedule

   We believe there is merit in the idea of creating an intergovernmental commission, composed of equal representation of private citizens appointed by each branch, to develop after the most careful consultation with the branches involved a specific Code of Public Conduct and set up mechanisms to oversee and administer the Code. The chairman should be named by the President after consultation with the Chief Justice and the leadership of each house. The staff of the Commission should come primarily from the private sector; professional guidance might appropriately be sought from such groups as bar associations or organizations of auditors. Such origanizations could provide short-term experienced talent for this purpose.

Legislation authorizing such a commission should properly be submitted at the same time as the Budget message which reflects the salary increases proposed - should you choose to accept them. The Commission would be authorized to examine in confidence whatever information would be

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relevant with respect, for example, to expense allowances, auditing procedures, outside income, investments, and conflict-of-interest reporting.

The commission would be under mandate to submit regulations, or legislative proposals where required, within 180 days, which would set forth precise rules to put the principles of the Code into effect, mechanisms to resolve conflict-of-interest questions, procedures to audit the results of these programs, methods to guarantee the availability of public scrutiny and to assure that all public officials would read, understand, and accept the new Code of Public Conduct before embarking on their duties.

RECOMMENDATIONS: PART II

COMPENSATION

PRINCIPLES OF COMPENSATION

Some of the principles which guided our deliberations are set forth here.

1. Direct pay comparisons with the private sector - the so-called principle of "comparability" - are inappropriate for almost all the positions covered by this report. Positions in the Civil Service General Schedule, and even for many of the GS 16 to GS 18 super grades, the principle is usually applicable and useful in helping set scales for pay and other elements of compensation.

   But at the Executive Levels, and in the judiciary and the Congress, comparability is of little value. With what job in the private sector, for example, does one "compare" the top positions at the Department of Defense? Or a Judge of the Court of Appeals?

   And, for that matter, what if "comparable" jobs could be found? If some top positions at HEW, for example, had a rough comparability, let us say, to the presidency of a large insurance company, or the chief of the U.S. Information Agency to the chairman of a large radio and television network, what then? Would the Congress wish to pay, and would the people support, a comparable salary? Do we want Cabinet officers to be earning three times as much as the President's $200,000? To ask the question is to answer it.

   The taxpayer's interest is in the opposite direction, toward salaries as low as possible, but yet adequate to attract and hold - for a reasonable period of time - the best qualified executives, legislators and judges for these positions.

2. On the assumption that the important posts to be filled on the Executive Level are full time jobs, pay levels should be set so that there would be no need for office holders to rely on those forms of outside income (honoraria, legal fees, etc.) which not only distract the officials but also corrode public trust. A proper compensation system must make it possible for people of outstanding ability to devote all of their time to the job.

3. Top grade salaries should be adequate to attract and motivate people of outstanding ability but whose standard of living depends upon current income, rather than savings, investments, or other unearned income. Americans do not want someone seeking high government posts because of the good salary, nor do they want able people to turn down the job because the salary is too low. A top official's position in the Federal Government ought not to involve so substantial a drop in living standards - at least with respect to certain fundamentals such as the education of one's children - as to discourage people from taking jobs in the first place. Nevertheless, much of the data developed during our deliberations tells us that most executives and judges are prepared to accept some diminution in income to come into the government.

4. Setting pay scales within the five Executive Levels involves a curious phenomenon: the difference in pay should be less as one moves up the scale, but at present the spread is greater. In the General Schedule there seems to be justification for greater comparative rewards at the top of the ladder, but in the Executive Levels the reverse seems to us to be true. In terms of total compensation, a Cabinet Secretary receives much more of the non-monetary income - the emotional, psychic return - than an Assistant Secretary. The same is also probably true of the chairman of a regulatory commission against a member of the same commission.

This principle - the need for greater increases at the lower and secondary levels - is reinforced when one considers the Weber-Yankelovich data. There, it appears that officials do not consider salary as a major factor when they enter government service, but that it plays a major role in their ultimate decision to leave. It is precisely at these entry levels for government executives and judges that we must look most closely. The salaries should be high enough - and that means today that the increase should be large enough - not only to attract them but to retain these people for a reasonable time once they've made the change. The evidence suggests that a Presidential appointee sees the new job as a temporary one of from two to eight years (the latter figure is a maximum, the average is closer to the former). Whether or not as a conscious part of the motivation at the time of entry or not - a chief motivating factor seems to be the opportunity for the new challenge of public service - there will almost certainly be better prospects at the time of reentry into the private sector.

Thus the common problem during government service, at least insofar as the salary is concerned, is to avoid a further substantial erosion of the ability to maintain an already reduced but acceptable living standard assumed from entry. Thus, for the unaffluent, the problem is almost entirely one of cash flow without regard to building up an estate or to replenish savings or investments or enhancing life style. (As we point out later, those in Executive Levels are not likely to be concerned in any way with their government pension rates or accumulated leave. Given these facts, it seems clearly wrong to compel these executives to immediately reduce their cash flow by contributing to a pension fund from which they will almost certainly draw no benefit.)

Furthermore, since we have set entry salaries at which we believe to be the lowest dollar levels consistent with the government's objectives, it is important that some mechanism (such as the permanent quadrennial commission discussed later) be developed to assure that the salary - the cash flow - does not substantially deteriorate as against the cost of living. The experience of the past eight years has demonstrated - with its extraordinarily high exit rates - that while psychic income and the desire for public service can compensate for an initial drop in income, it is not enough to sustain a continued erosion. Even a highly motivated government executive, Member of Congress or a Federal judge, cannot warm his hands indefinitely before a picture of a fire.

5. The scale for government officials at these levels should be set nationally rather than, for example, after a determination of varying geographic rates of salary and cost of living. While there appeared superficially to be some economies available through such a geographic approach, as well as the possibility of some recruiting advantages, a further consideration of the complexities of the problem, as well as of the other issues which would then be raised and considered with respect to all other components of compensation, led inescapably to the conclusion that the disadvantages of "regionalization" far outweighed the slight gain.

6. The principle of fixed or automatic "linkage" - a recent historical development - seems inappropriate as a continuing way to fix salaries at these levels. Indeed, as the accompanying chart shows, the most commonly referred to linkage only began in 1969 (linkage between Congress, Level II (undersecretaries), and the Judges of the Court of Appeals.) There is also the "linkage" between Cabinet positions and Associate Justices in the Supreme Court.

As the chart on the following page indicates, there is no historic linkage among these positions, and we cannot find a persuasive rationale for its rigid application. The basis since 1969 has apparently been largely political, based on the assumption that the Circuit Judges and the Level II executives might serve as a "lifeline" to the Members of Congress, understandably unwilling to raise their own pay unilaterally. But as the public mood has intensified, the lifeline has disappeared, and it is Congress which has served as an anchor over the past eight years, dragging down the "links" and preventing any increase, anywhere.

There are, in fact, sound reasons for unlinking Congress, Level II (or any other level), and any of the Federal judges. Not only are these, of course, entirely different jobs with entirely different responsibilities, but the career anticipation patterns vary sharply. The Weber-Yankelovich data tells us that in almost every case, a Cabinet officer and a Circuit Judge will take a reduction in salary when entering government service; the difference is that the executive official will resume a high level of earnings (perhaps even higher than if the choice had not been made to interrupt a private career in the first place) upon leaving the government. The judge, on the other hand, has not made a decision to enter government for only a few years, and therefore, to accept a slightly lower salary for that period of service; but has on the contrary elected a permanent change, not only in earnings but in life style as well. If, as is customary, the judge is selected from those successful at the bar, the certain assumption is that the trade-off for the judicial life, with the non-monetary satisfactions it affords, is a heavy reduction in dollar earnings - for all of the remaining productive years. That factor alone suggests unlinking the two.

SELECTED LINKAGES AND RELATIONSHIPS AMONG
EXECUTIVE, LEGISLATIVE, AND JUDICIAL BRANCHES

(1975 - 1874)

YEAR OF ADJUSTMENT	MEMBERS OF CONGRESS	CIRCUIT JUDGES	EXECUTIVE LEVEL II (DEPUTY SECRETARY ET AL)	EXECUTIVE LEVEL I (CABINET HEAD)
1975	44,600	44,600	44,600	63,000
1969	42,500	42,500	42,500	60,000
1965	30,000	---	---	---
1964	---	33,000	30,000	35,000
1956	---	---	22,500 AND 22,000	25,000
1955	22,500	25,500	---	---
1949	---	---	---	22,500
1947	12,500	---	---	---
1946	---	17,500	---	---
1945-1932	UP & DOWN	---	---	UP & DOWN
1926	---	12,500	---	---
1925	10,000	---	---	15,000
1919	---	8,500	---	---
1907	7,500	---	---	12,000
1903	---	7,000	---	---
1891	---	6,000	---	---
1874	5,000	---	---	8,000

As for the Members of Congress, neither of the foregoing assumptions prevail. Histocially, most members, after all, have left not because the pay is too low or the job ultimately unsatisfying, but because they were defeated for election or for poor health, and these are risks that go with the territory. (More recently, however, there has been increasing evidence that pay has become a factor.) The psychic income is vastly different - indeed, of a different kind - than it is in the Executive Branch or in the judiciary, and the risks and burdens include not only the loss of a job but of undeserved public obloquy. And the decisions required, of course, do not affect just one government department or policy, nor even one group of litigants or others similary situated, but the greater issues that affect all of our people. There is simply no justification for the continued automatic linkage of salary among these groups. Each should stand on its own, and with proper public understanding, the political consequences can be minimized.

BACKGROUND STUDIES ON COMPENSATION

The realization came early to the members of the Commission that we had embarked not upon a clearly-defined, objective study of the relative pay scales for different branches of the government, but instead upon a path strewn with politics, precedents (constitutional and otherwise) and prejudice.

We also concluded at an early stage in our deliberations that we possessed no special expertise in the politics of Federal pay. Even if we did, there are others with the power we lack to do something about their views, and we are only an advisory group. We therefore decided that our advice would be more credible and therefore more helpful if we fought off the temptation to compete with the political experts. For example, we have registered our opinion - backed, we believe, by logic - that "linkage" which has existed since 1969, tying the salaries of Members of Congress to those of Level II executives and to those of Appellate Judges, should be eliminated. Whether or not this is, nevertheless, a "political" necessity, we shall leave to others to decide.

At the outset, we decided to commission some original factual research on questions which seemed to be thus far unanswered. We wanted to know the evaluation, in the private executive marketplace of the worth of various branches and levels of government - questions to be asked of present and former executives as to their opinions both before and after government service. How important, for example, is the actual dollar compensation - or how important should it be - at the various levels and branches, given the great differences in tenure, future career paths, and the so-called "psychic income" of the different posts.

We authorized such a study to be done, under the direction of Dr. Arnold Weber, Provost of Carnegie-Mellon University. Dr. Weber has a rich background in labor economics and prior government service as Assistant Secretary of Labor, Associate Director of OMB and as the first director of the Cost of Living Council.

We believe that this work yields important insights as well as a good deal of factual basis for our recommendations. We present here some excerpts from Dr. Weber's findings so as to make clear some of the bases and assumptions which undergird our pay recommendations. Considering a number of factors - such as desire for public service and long term career development - Dr. Weber concluded,

> Compensation was a significant factor in each of the key decisions; to enter, depart, and remain in high level government positions. When approached with an offer of a Federal position, the individual decision to accept or reject is influenced by the "adjusted" salary (in constant 1967 dollars) of the job presently held and the job offered. The higher the salary in the prospect's current job, the more likely that he or she will refuse the Federal executive position offered. On the other hand, the higher the salary related to the job offered, the more likely that the potential appointee will accept. Similarly, the greater a Federal executive's salary before acceptance, the more likely that his tenure in government will be shortened, although his length of service may be influenced by any salary increases while in government.

We shall amplify some of his conclusions with some actual tabulations of answers to particular questions. Some of these percentage tabulations are raw unrefined data. But if the reader is careful, we believe there will be found here facts and explanations which will make our conclusions clear and easier to understand.

What did the 528 questioned incumbents and departees from senior positions in the three branches tell us about the role of compensation in accepting or rejecting offers to come into government? We need not rely only on their verbal opinions, we should first look at what happened in fact to their salaries when they came to work for the government.

In fact, the Weber survey indicated that upon joining government, the average respondent accepted a decrease in salary of $8,100 or 21.1% of his salary immediately prior to joining the government.

Their responses to a number of questions support the contention that individuals accept Federal employment with the understanding that salary levels will be below those they could receive from employment in positions of comparable reponsibility outside government.

In response to the question, "Tell us in your own words, why you decided to accept Federal employment?", the most frequent responses were:

- The opportunity for public service - 17% of respondents.
- To accept a new challenge - 12% of respondents.
- Less than 1% of the respondents mentioned an increase in salary as a reason for accepting the position.

In response to the specific question, "What was the role of compensation in your decision to accept Federal employment?", 86% of the respondents indicated compensation had either a negative or no influence on their decision.

- Negative influence - 28% of respondents.
- No influence - 58% of respondents.
- Positive influence - 14% of respondents. (Note: super grades have been eliminated).

Respondents were asked to rate the importance of each of a number of possible motivations which might have influenced their decision to accept Federal employment.

Motivations	Respondents Indicating Either "Very Important" or "Somewhat Important"
Public Service	95%
Challenging Interesting Work	95%
Recognition	68%
Opportunity to do Something Different	68%
Long Term Career Development	60%
Compensation	43%

Compensation was by a considerable margin the least frequently reported factor to be of any significance in influencing the decision to accept Federal employment.

Dr. Weber has tried to put this congeries of non-salary factors into context in the following way:

> Within this complex of factors, compensation is likely to exert a significant influence. This does not mean that compensation is dominant or operates to the exclusion of other factors. It is reasonable to assume, however, that compensation will strongly condition decisions concerning Federal employment. Although the jobs involved are usually prestigious and public service may be its own reward, the individuals involved nonetheless have economic needs and alternatives which will limit the extent of their 'sacrifices'.
>
> The acceptees eloquently stated their desire for public service. But the translation of this desire into a positive decision was also consistent with economic circumstances which permitted such subjective goals to be realized.
>
> Although the 'call' to public service may excite noble motives, this study indicates that these motives were most likely to be translated into positive decisions when the anticipated or actual costs were not onerous and did not worsen over time.

We would expect and are reassured that people, in Dr. Weber's phrase, express "noble motives" in explaining the decision to go into government service. We find these data consistent with this motivation, particularly when we remember this study does show that on the average, these officials took a substantial cut when they came to government.

On the question of the role of compensation in departures from government service, we believe this study has some important things to say. Unfortunately, our sample of departing Federal judges is smaller than we would like to see. But even on this subject, there are some facts worth keeping in mind on the growing importance of compensation (or rather the lack of increased compensation in a highly inflationary period) in accelerating departures from something even as prestigious and satisfying as the Federal bench. To quote from the Weber study, "during the last four years (since January 1972), total resignations averaged 3.25 per year; however, during the prior 31-year period they averaged just under one per year."

The raw data supply some interesting conclusions, not only on the importance of compensation in departures but how this factor varies by branch of government. Here is Dr. Weber's summary statement:

> The decision to depart Federal service was associated with a process of economic erosion. Thus, the higher the proportion that an individual's salary was of his or her total income, the more likely that the individual had left government service. There is some evidence that the compensation factor was especially important in the decision to depart of those in Executive Levels IV and V.
>
> Regardless of an individual's experience in government, the decision to depart is influenced by personal and economic elements. In this respect, the analysis indicates that where salary constitutes a preponderant component of his total income, then he is more likely to be a departee - other factors equal - than if he gains a substantial proportion of his income from other sources. In this manner, the variable "percentage of total income from salary" is positively related to departure. For the sample of incumbents and departees used in this analysis, more than 75% of total annual income was derived from salary on average. As this proportion approached 100%, it more likely indicated a departee.
>
> The loss of income means that an individual will have to reduce his standard of living, his rate of savings, or dip into other resources. The greater proportion that his Federal salary is of his total income from all sources, the more likely that the individual will have to deplete his savings or capital or suffer a deterioration in his standard of living.
>
> The verbal responses to the survey illustrate this process of depletion. One departed executive noted that, "I spent my savings to keep the family going. It would take twice as much money in salary to (remain in government) comfortably." Another official asserted, "I would like to earn more money to make up for 3-1/3 lean years. I need to rebuild savings."

Dr. Weber continues:

> The economics of the accept/reject decision also were related to the prospect of supporting a son or daughter's college education. If the potential appointee anticipated the enrollment of a child in college within the next five years, this projection exerted a negative influence on the decision to accept. Of those who rejected offers, 67% anticipated a child in college in the next five years. The figure for those who accepted was 36%.

Likewise, in the decision to depart government:

> The influence of college expenses was highlighted by several departees. One explained his leaving by stating, "I needed more income, especially for college costs." Another pointed out, "Suddenly, I became aware of college money requirements. I needed more money, I can't see the government ever paying enough."

Referring now back to the raw data, we think they add to our understanding of the role of compensation in departures - particularly in explaining the substantial differences among branches and levels - another piece of evidence in the argument against "linkage".

Question: "On balance, to what extent was your annual income a factor in the decision to leave the Federal Government?"

Responses:	Executive	Judicial	Legislative
"To a large extent"	32%	73%	9%
"To some extent"	43	18	17
"To no extent"	25	9	74

Question: "In your own words, what would you say are the reasons you left your Federal employment?"

Responses: First Mentioned	Executive	Judicial	Legislative
Inadequate compensation or had a better offer	38%	73%	8%
Never intended to stay	14	--	--
Had Enough	13	9	13
Poor Health	5	5	28
Lost Election	--	--	30

Of particular interest to the Commission was the considerable disparity in the change in adjusted salary that respondents in each of the branches had reported on entering government service. These amounts are presented in the table below:

	All Respondents Who Had Joined Government Service		
	Executive I - V	Judicial	Legislative
Average Adjusted* Salary hold just prior to Government employment	$39,800	$44,500	$28,300
Average Adjusted* Salary at Entry to Government	30,800	30,000	29,000
Average Change in salary at entrance	-9,000	-14,500	+700
Average Change as a Percent of Original Salary	-23%	-33%	+2%

*All dollars presented in the Weber survey are deflated to 1967 rates. For example, the cost of living - as measured by the Consumer Price Index, determined by the Bureau of Labor Statistics - rose 33% from 1967 to 1973. To calculate "adjusted" salaries earned in 1973, the salary would be multiplied by a deflation factor of 0.75 (100% divided by 133%). Thus, if in 1973, an individual earning $50,000 in the private sector accepted a government position at $38,000, the "adjusted" salaries would be calculated as follows:

	1973 Dollars	Multiplied By Deflation Factor	Adjusted 1967 Dollars
Prior Salary	$50,000	.075	$37,500
Entry Salary	$38,000	.075	$28,500

This data suggests that there is sizeable personal economic sacrifice made by individuals joining two of the three branchs of government. The survey further indicates that the magnitude of the economic sacrifice has increased in real terms over the past several years due to the effect inflation has had in reducing the purchasing power of fixed salaries.

Another measure of the relative financial burden or the "opportunity cost" of not working outside the government is indicated by the salaries which individuals received immediately upon departure. The table below sets forth a comparision by branch of the average annual salary that respondents who departed government employment received just prior and immediately following the transition:

AVERAGE ADJUSTED SALARIES OF DEPARTEES

	LAST SALARY PRIOR TO DEPARTURE FROM GOVERNMENT	FIRST JOB AFTER GOVERNMENT	PERCENT CHANGE
Executive I-V	$26,200	$48,900	87%
Judicial	$24,700	$45,500	84%
Legislative	$30,800	$41,400	34%

These data tend to support the conclusion that the relative financial burden falls most heavily on the members of the Judicial and Executive Branches while the opportunity cost of serving in the Legislature appears to be significantly less.

A summary comparison of the percentage changes in adjusted salary experienced by respondents in each of the three branches at the time of entry and departure is set forth below.

PERCENT CHANGES IN ADJUSTED INCOME

	PERCENT CHANGE IN ADJUSTED SALARY AT ENTRY*	PERCENT OF GAIN IN ADJUSTED SALARY AT DEPARTURE**
Executive Level I-V	-23%	+87%
Judicial	-33%	+84%
Legislative	+ 2%	+34%

*For incumbents and departees (all acceptees) (salary just before government compared to first government salary).
**For departees only - last government salary compared to first salary after government.

Setting aside the political and psychological aspects, whose consequences we have said we are pleased to delegate to others, we believe all these data have a good deal to say about the notion of fixed linkages among the branches. Dr Weber shares our view:

> The automatic linkage of salary increases for federal executives, members of the judiciary, and legislators should be closely reviewed. The analysis indicates that the three categories are distinguishable in terms of career and earnings patterns. Effective compensation policies should take account of these differences. For example, the sample data reveal that, on average, Federal executives and judges incur a significant reduction in income when they assume positions with government, but that legislators experience a slight increase. Uniform treatment of the three categories may accommodate the needs of attraction and retention for one group, but not the other two.

Before moving to the actual question of salary increases, we believe, Mr. President, there are a few specific matters which must be raised.

PENSION COSTS

This is an enormously important subject and a troubling one to this Commission. We are troubled by the enormous unfunded costs and what we believe is not adequate understanding of this melancholy fact by too many legislative and executive officials and most certainly by the public. We are troubled that true future pension costs are not built into our budget calculations and projections. We are troubled that the outside studies of these pensions are not adequate. These are some of the reasons we assign pensions a very high priority on the agenda of an expanded quadrennial commission.

We must take cognizance as well of the substantial differences among the Branches in pension benefits and employee contributions.

This is particularly true for the Federal judiciary. Judges get 100% of final pay but make no contribution. Were it not for this difference, we would have been inclined to propose larger salary increases for the judiciary - because theirs is a long-term career position, not an interlude; and the evidence is overwhelming that Federal judges can earn more in the private sector, and the evidence, as well as the public, generally is substantially more supportive of higher salaries for the judiciary. The Commission notes that although Federal judges receive full pay throughout retirement, the great majority nevertheless continue to perform judicial duties during that time.

There is also some specific short-term salary relevance to a pension recommendation we make in the next section: namely, that members of Executive Levels I-V, given the temporary nature of their service, be permitted to defer contributions to the pension plan until the fifth anniversary following appointment. This is a recommendation that costs the taxpayer nothing; indeed it saves the taxpayer money in that it would be a form of salary relief.

We asked Dr. Weber if and how this recommendation would square with his studies and the comment in his report speaks for itself.

> Some salary relief can be provided by raising the effective adjusted salary of Federal employment by permitting incumbents the option of choosing to substitute cash for fringe benefits. This may help the "cash flow" problem associated with extended tenure in Federal employment and lessen the depletion of resources associated with long periods of government service.

There are also two areas of expenses not now adequately provided for which we believe operate as a deterrent to attracting top quality people who do not have independent means to government service. These are (1) relocation costs, and (2) two-residence requirements for Members of Congress.

RELOCATION COSTS

Problem

Newly appointed members of the Executive Branch and newly elected Congressmen are required to pay their own relocation costs. The Commission believes that this burden is unfair and may inhibit the government's ability to recruit those with a limited net worth.

Employees in the private sector are normally eligible for relocation assistance. The same is true only of "critical skill" government employees. General government employees receive no relocation assistance. The chart below illustrates this disparity.

NEW HIRE MOVING AND LIVING REIMBURSEMENT PRACTICES IN THE PRIVATE SECTOR AND GOVERNMENT

PRACTICE	PRIVATE SECTOR*	FEDERAL GOVERNMENT	
		General Employees	Critical Skills** Employees
Househunting Trip(s)	77%	No	No
Shipment of Household	100%	No	Yes
Travel Expense to New Location	99%	No	Yes
Temporary Living at New Location	90%	No	Yes

*Survey of 320 companies.
**"Critical Skills," i.e., manpower shortages in specialized fields designated by the U.S. Civil Service Commission.

Consistent with the Commission's view that government salaries for top officials should be lower than those in private industry but also consistent with its view that government employment must be made attractive to those without significant resources, these allowances are needed and we believe can be easliy justified to the public.

Recommendation

Each newly elected Member of Congress and each newly appointed executive should be reimbursed toward relocation costs providing that his or her present residence is outside of the Washington, D.C. metropolitan area or the city to which the official is assigned. The allowances should be as follows:

- Transportation and temporary storage of household goods with a maximum weight of 11,000 pounds.

- Subsistence and travel to the location of the new post for the appointee and eligible family members and dependents as defined in the Federal Transportation Regulations.

- Subsistence while occupying temporary quarters awaiting permanent housing.

TWO RESIDENCE REQUIREMENTS FOR MEMBERS OF CONGRESS

Problem

Public law requires that each member of the Senate and House of Representatives maintain a "residence" in his District. Beyond this, many legislators have told us their constituents much prefer that they be taxpaying property owners so they can better understand local tax burdens. Their duties require their presence in Washington with the resulting need for two residences. While we know that some Congressmen maintain only a mailing address in their home District, it is nonetheless true that these requirements impose general burdens that are unique to Congressmen, particularly those with limited outside means. The burden has been increased in recent years by the virtually continuous time Congress has remained in session.

It is estimated that approximately 80% of the members bring their families to Washington. Most of the remaining 20% live in single-room/efficiency type accommodations.

The Commission believes that these circumstances not only impose an unfair financial burden on the members but also work to the detriment of the interests of their constituents. The emotional pressures created by either the financial drain or the separation from family or the less frequent exposure to their constituents are surely counterproductive.

Recommendation

Each Member of Congress should be eligible to receive up to $5,000 payable annually as an allowance toward the extra costs imposed as a result of the requirements that a residence be maintained in both Washington and the home District, provided that such payments shall be supported by evidence of the actual maintenance of two residences.

Alternatively, the concept of the current tax deduction for traveling expenses could be expanded to include the expense of two residences, provided the expenses are actually incurred. On this basis, the present tax deduction of $3,000 should be increased to $8000. The $3,000 amount was set in 1952 and has become inadequate.

(It is the Commission's understanding that the Bureau of Labor Statistics has undertaken a study that will identify housing costs at salary rates consistent with Congressional earnings.) We are confident from our experience with rental properties that reasonable accommodations could cost at least $5,000 annually.

COST OF LIVING - WHY ISN'T $44,000 A YEAR PLENTY?

It is not only Members of Congress - although they feel it most keenly - who are aware of the substantial feeling throughout the country that there is something wrong with people who cannot live adequately, indeed graciously, on $44,000 per year. Members of this Commission, some of whom either live or have lived in places like Billings, Montana or Kearney, Nebraska or Prescott, Arizona hear this persistent question often.

The argument must be met, and while the answers may not arouse much sympathy or even understanding, fairness requires that certain obvious ideas be set forth clearly.

1. The quality of person we all seek to attract to Washington - in any branch - will almost certainly have achieved or expect to achieve a higher degree of success than the average person in his or her field, and will have established an equivalently higher standard of living. No member of the Commission quarrels with the principle that some financial sacrifices are appropriately required from the government executive, but the human condition being what is is, we appreciate that the financial disadvantage an executive, legislator or judge is willing to assume will be at best a relative thing.

Thus, unless we are ready to say that we want our top officials to earn no more than the average salary of all Americans, we must set higher levels - and the only question is how high must we go to obtain and keep them? Put another way, what is the least we can pay to achieve this purpose? We must point out that assuming a Federal budget of more than $400 billion, the impact of the total salaries we are proposing (including the major portion of the effect on the unfreezing of salary rates warranted to those in GS 16 through 18 several years ago, but never paid) comes to about $130 million, or three one-hundredths of one percent (.03%). If the result is even a slight margin of improvement in the quality and retention of able officials, the return to the nation should far exceed that cost.

2. We believe that no fair assessment of Federal compensation can be undertaken without some understanding of the relationship of the cost of living in Washington, D.C. to other cities in the nation. A survey of comparative costs comparing Chicago, Omaha, Des Moines, and Atlanta, while the data are far from complete, suggests a higher cost in Washington of some 20-30%. (This does not of course include the cost of private higher education - or secondary education either.)

In this same connection, the following figures in the area of housing are instructive. These are average prices of the houses sold by a national real estate firm in various cities across the country.

RANKED BY AVERAGE HOME PURCHASE PRICE
(FIRST NINE MONTHS - 1976)

AREA	AVERAGE HOME PURCHASE PRICE	INDEX
Washington, D.C.	$68,400	(1.00)
San Francisco	59,600	(0.87)
Chicago	57,600	(0.84)
Atlanta	55,700	(0.81)
Minneapolis	55,400	(0.81)
Lincoln	54,900	(0.80)
Omaha	44,800	(0.65)
Des Moines	34,100	(0.50)

NOTE: It is clear that even this limited sample suggests that those moving to Washington experience significantly higher housing costs. The difference may be even greater than that shown since those who come for a limited stay may be expected to be forced to make rapid decisions - given the time pressures of the new assignments.

But beyond this static picture at a given moment, we have the even more difficult problem of what to do about future levels of inflation.

ANNUAL COST OF LIVING ADJUSTMENTS

The Commission has been offered probably nearly every point of view available with regard to how to handle periodic cost of living adjustments.

We are impressed with the argument that the current crises in which we find ourselves has come about largely because of the absence of such adjustments.

We are also mindful of the potential negative impact on incumbents, potential government officials, and those "frozen" at the top of the General Schedule if the prognosis for future adjustments is as dim as the record of the past eight years.

Thus, we have no problem accepting Dr. Weber's conclusion, at least as a rational objective, "systematic, periodic adjustments in the salary levels of Federal executives (and judges) probably will have a positive influence on the decision to accept and remain in Federal service."

Our difficulty, of course, is with the means, but not the end, by which such adjustments could be made. Among the public's frustrations we know of, none that ranks higher than inflation. And we know of no problem which the public is more likely to blame on government spending and therefore the Congress and Executive Branch. The idea that Congress would be willing to support the notion that the rest of the country suffers the ravages of inflation, but that its members have a kind of inflation insurance, protected from the very disease that it is believed to have created is not one whose time has come.

It is virtually inconceivable to us that Congress would not insist on explicit voting on this issue whenever the question of the cost of living adjustment would arise. Quite apart from the self-serving aspects (or perhaps we should say self-destructive aspects) of this kind of automatic cost of living adjustment, it would be perceived as a bad example to the rest of the country, particularly when we remember that the Council on Wage and Price Stability reports that only about 10% of all workers are covered by such clauses in a contract, and, in any event, these escalation clauses over the period 1968 to 1974 provided only about half of the rise in the cost of living during the period.

One could imagine a scheme whereby such a cost of living adjustment applied to the branch of government that might be said to have had the least impact in causing inflation, the judiciary. Again, given our system of equal but separate branches, and the example it would set at very high levels of government to the public at large, we think this would also be inappropriate.

Thus, we conclude that the most practical approach to cost of living adjustments would be a permanent commission making recommendations as appropriate to the President, but at the very least, of course, once every four years.

SALARY RECOMMENDATIONS

If our logic has been valid and our factual base sound, our recommendations should not require major exposition. (Our recommendations for specific salary adjustments are set forth in tables at the end of this section.)

Thus, we will only in a summary way review the high points and let the numbers speak for themselves.

1. As a group, we have recommended the highest level of increases for the judiciary. We shall not over-elaborate the reasons: the judges have made, or at least want to make, a long term career decision, there is no opportunity to "recoup" later on and this group foregoes more outside earning opportunity than any other in Federal service. The strains of the past seven years are beginning to show, not only in the upper ranks of the Federal judiciary but even more in the Federal Bankruptcy Courts where 18 resignations in the past two years appear to be related to money problems. Finally, all of our studies and other research tell us the American public is most supportive of the highest possible quality in the judiciary, and is quite prepared, we believe, to pay for it.

2. Throughout the three branches, we have proposed substantially higher rates of increase at the lower levels than at the higher levels. First, it is at these levels that the most serious problem becomes the maintenance of a minimum acceptable standard, taking into account that the employee will accept a reduction from his previous income but not one that seems unreasonable, considering the likelihood that the salary will not be increased significantly during the term of employment and that increases which might otherwise be expected "on the outside" must be foregone. Equity and the needs of the government require that these lower-level executives get the larger increases. Beyond this, the psychic rewards at the higher (i.e., Cabinet) levels are of such a magnitude that we cannot persuade ourselves that equivalent increases are necessary to attract and retain persons of the highest quality.

   The American people, under the best of circumstances, will have trouble assimilating this large overall increase at one time. The educational task will be easier if it can be understood that the most senior officials of all three branches were willing to sacrifice in relation to their equally hard working but less honored colleagues. With the thought that it might cushion the shock, we explored the option of phasing these recommendations in over a period of years. We have rejected this course on two grounds: one of equity (this increase has already been postponed too long), and one of pragmatism (some have expressed fears that attempts would be made in future years to rescind the subsequent phases), perhaps under the threat of popular retaliation at a time of increased "anti-government" feeling. The case for these increases can be made, clearly and convincingly, but it need and should only be made once.

3. One cannot fail to notice that we recommend that the Cabinet level posts receive a smaller increase than any others. In some ways, this reflects years of what one might consider relative over-compensation in relation to Levels II-V in the Executive Branch. The current differential between Executive Levels I and II cannot be justified on any ground we have heard. The Cabinet Secretary takes the job for what he knows is a limited period. The psychic rewards are high. The later alternatives in the private sector are nearly always enlarged and enhanced, and indeed are probably better than they would otherwise have been. Finally, we have little doubt that at $67,500 a President would be able to attract and retain very high quality candidates. While this breaks the "linkage" with Supreme Court Justices, we have spelled out why we believe the job and career circumstances are fundamentally different.

4. As to the relationship among the salary levels of the Vice President, the Speaker, and the Chief Justice, the increases we propose maintain the relationship whereby all are paid at the same salary level. We saw nothing to be gained by changing these historical relationships and took note of the differences in the living and expense allowances in the case of the Vice President.

5. With respect to Congress, the increase in salary allowance is slightly less than average but still a substantial 28.9%. We offer these thoughts - first of all, we should remember that we are proposing that the Congress eliminate most outside earned income, honoraria, and legal fees that many now earn. Thus, even assuming, Mr. President, you accept our recommendation to provide a housing allowance, the actual increase is less than for other groups. We have had extensive consultations with Congressional leaders on this matter and they have widely indicated to us a strong desire to be conservative on matters of members' pay. Given the statutory requirement that the Comptroller General be at so-called Level II ($60,000), any anomaly created by the fact that this employee of the Congress is making more than its members should take into account the recommended Congressional housing allowance.

6. It should be noted that our Level V recommendation of $49,000 still will result in some compression (through much reduced - to 2,485 employees from the current number of 20,365 - and all confined to GS 18 and the upper steps of GS 17).

   Our reasoning is as follows: we are not at all offended by some cost discipline and pressure of Level V rates on the super grades. It is here that the cost exposures are greatest (over 70% of the total cost of our proposed increases). It is also here that the Commission has the least faith in the system's ability to measure need and worth. Too many experts have also cautioned us to be sure that these comparability studies give full weight to the costs of generous fringe benefits, such as the early retirement feature of the pension plan. This question about the super grades is a worthy one for the quadrennial commission whose creation we are recommending.

   In the meantime, our interviews with those at high levels of the bureaucracy suggest that neither this income nor the slight compression remaining will present a serious problem.

The tables on the following pages, Mr. President, represent the results of our deliberations on salary recommendations.

Table 1 - Illustrates the salary relationships we recommend among the different levels in each of the branches.

Table 2 - Sets forth our specific recommendations for salary adjustment for each position.

Table 3 - Presents estimates of the cost of implementing these salary recommendations - including the cost of both the specific salary increases and also the related effect of raising the ceiling on the "compressed" salaries in the General Schedule and the associated groups of Federal employees.

Table 4 - Provides a comparison of the population of Federal employees presently affected by compression with the reduced population which would still be compressed at the recommended levels.

TABLE 1.--COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES
RECOMMENDED PAY RELATIONSHIPS OF TOP FEDERAL OFFICIALS[1]

(Selected Positions - See Table 2 for all Positions)

SALARY ($000)	EXECUTIVE	LEGISLATIVE	JUDICIAL
80	Vice President-$80,000	Speaker of the House - $80,000	Chief Justice - $80,000
			[3.2%]
78			Associate Justice-$77,500
76			
74			
72	[18.5%][2]	[23.1%]	
70			[19.2%]
68			
66	Level I - $67,500		
64		Pres. Pro-Tem, Maj & Min Leaders - $65,000	Circuit Judge - $65,000
	[12.5%]		[4.8%]
62		[8.3%]	District Judge - $62,000
60	Level II - $60,000	Comptroller General - $60,000	[8.8%]
		[4.3%]	
58	[5.3%]	Congress - $57,500	
		[0.9%]	
56	Level III - $57,000	Asst. Compt. Genl. - $57,000	Director, Admin. Ofc of Courts - $57,000
	[7.5%]	[7.5%]	[7.5%]
54			
	Level IV - $53,000	Librarian - $53,000	Bankruptcy Judge - $53,000
52			
	[8.2%]	[8.2%]	
50			
	Level V - $49,000	Deputy Librarian - $49,000	
48			
46			

FOOTNOTES:

[1]Recommended salaries and inter-level pay differentials.

[2]Percentages in brackets are the inter-level pay differentials.

TABLE 2
COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES
RECOMMENDED SALARY LEVELS

	PRESENT	RECOMMENDED	PERCENT INCREASE
Vice President	$65,600	$80,000	22.0%
Chief Justice	65,600	80,000	22.0%
Speaker of the House	65,600	80,000	22.0%
Associate Justice	63,000	77,500	23.0%
Executive Level I	63,000	67,500	7.1%
President Pro-Tem, Majority and Minority Leaders	52,000	65,000	25.0%
Judges - Circuit Courts of Appeals	44,600	65,000	45.7%
Judges - Court of Claims	44,600	65,000	45.7%
Judges - Court of Military Appeals	44,600	65,000	45.7%
Judges - Court of Customs and Patent Appeals	44,600	65,000	45.7%
Judges - U.S. District Courts	42,000	62,000	47.6%
Judges - Customs Court	42,000	62,000	47.6%
Judges - Tax Court	42,000	62,000	47.6%
Executive Level II	44,600	60,000	34.5%
Comptroller General	44,600	60,000	34.5%
Senators, Representatives, Resident Commissioner of Puerto Rico	44,600	57,500	28.9%
Executive Level III	42,000	57,000	35.7%
Assistant Comptroller General	42,000	57,000	35.7%
Director - Administrative Office - U.S. Courts	42,000	57,000	35.7%
Executive Level IV	39,900	53,000	32.8%
General Counsel - GAO	39,900	53,000	32.8%
Librarian of Congress	39,900	53,000	32.8%
Public Printer	39,900	53,000	32.8%
Architect of the Capitol	39,900	53,000	32.8%
Commissioners - Court of Claims	37,800	53,000	40.2%
Deputy Director - Administrative Office - U.S. Courts	37,800	53,000	40.2%
Bankruptcy Judges (full time)	37,800	53,000	40.2%
Executive Level V	37,800	49,000	29.6%
Deputy Librarian of Congress	37,800	49,000	29.6%
Deputy Public Printer	37,800	49,000	29.6%
Assistant Architect of the Capitol	37,800	49,000	29.6%
Bankruptcy Judges (part time)	18,900	26,500	40.2%
Board of Governors, U.S. Postal Service	10,000	10,000	0 %

TABLE 3

COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES
ESTIMATED COST OF SALARY RECOMMENDATIONS

I. OFFICIALS WHOSE SALARIES ARE DETERMINED PURSUANT TO THE COMMISSION'S RECOMMENDATIONS

GROUP	EMPLOYEE POPULATION	CURRENT SALARY COSTS	COST OF SALARY INCREASES	NEW SALARY COSTS	PERCENT INCREASE
EXECUTIVE	865	$ 34,663,300	$ 10,977,200	$ 45,640,500	31.7%
LEGISLATIVE	550	24,538,900	7,099,600	31,638,500	28.9%
JUDICIAL	1,081	43,841,900	19,472,100	63,314,000	44.4%
TOTAL	2,496	$103,044,100	$ 37,548,900	$140,593,000	36.4%

II. FEDERAL EMPLOYEES -- WITH SALARIES LIMITED BY EXECUTIVE LEVEL V --

GROUP	EMPLOYEE POPULATION	CURRENT SALARY COSTS	COST OF SALARY INCREASES	NEW SALARY COSTS	PERCENT INCREASE
GENERAL SCHEDULE & EQUIVALENTS	20,365[1]	$806,479,000[2]	$ 80,942,222[3]	$887,421,222	10.0%

NOTE: [1]2,485 employees in this group will still be affected by salary compression, up to a maximum of approximately $5,400. See Table 4 for further detail.

[2]Rounded data.

[3]The annual cost of additional Federal pension liabilities will be approximately $11,032,000.

The tables below present a comparison of the population of Federal employees affected by salary compression (I) at the present salary levels (Level V at $39,600) and (II) at the recommended salary levels (Level V at $49,000).

TABLE 4
COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES
FEDERAL EMPLOYEE POPULATION AFFECTED
BY COMPRESSION

I. At Current Level -- Executive Level V and at $39,600 --

GS GRADE OR EQUIV	GENERAL SCHEDULE	FOREIGN SERVICE	VETERANS ADMIN.	MILI-TARY	PL 313 TYPES	GENERAL GRADES	ALL OTHERS	TOTAL
15	8,537	1	2,783	124	0	350	398	12,193
16	3,309	881	22	31	881	398	154	5,676
17	990	0	26	0	264	158	46	1,484
18	348	455	6	5	93	89	16	1,012
TOTAL	13,184	1,337	2,837	160	1,238	995	614	20,365

II. At Recommended Level -- Executive Level V at $49,000 --

GS GRADE OR EQUIV	GENERAL SCHEDULE	FOREIGN SERVICE	VETERANS ADMIN.	MILI-TARY	PL 313 TYPES	GENERAL GRADES	ALL OTHERS	TOTAL
15	0	0	0	0	0	0	0	0
16	202	0	10	31	54	31	9	337
17	752	0	26	0	201	122	35	1,136
18	348	455	6	5	93	89	16	1,012
TOTAL	1,302	455	42	36	348	242	60	2,485

RECOMMENDATIONS - PART III

A New Concept of a Quadrennial Commission -

A Four Year Term and A Full Agenda: Recommendations in Other Areas - Pensions - Life Insurance - Job Classifications

This Commission - particularly during the short term of its existence - is almost overwhelmed by the number of compensation issues which are not receiving objective or coherent review. This is hardly surprising, since we are dealing with the world's most complex manpower structure.

The threshold question - one which concerns the Members of Congress not quadrennially, but bi-annually - is this, and it is asked insistently, one imagines, wherever Americans gather to discuss public matters: "Who else do you know - or what other group is there - whose members vote their own salary?" The question, of course, has larger implications than those relating to congressional pay and benefits. It could be as easily phrased: "Is it appropriate to rely on government personnel to review their own compensation structures?" We think the answer is properly in the negative.

Thus, we believe the concept of a permanent quadrennial commission, of private citizens, has a much broader applicability than the present system, which calls only for review once every four years of only one relatively narrow portion of the compensation package - salaries.

In addition, the Commission believes that a predominantly private sector staff could add substantially to both the objectivity and therefore the credibility of the periodic analysis of the total, "whole" Federal compensation process.

There is a variety of issues which a permanent commission could seek to resolve. There is, for example, a lack of coherence in the compensation program across the spectrum of all three branches - a lack of coherence which would be unacceptable within any moderately well-run private business enterprise. Later in this section of the report, we will attempt to illuminate and amplify some of the specific problem areas which could with great profit to the nation form part of the agenda of a four year commission.

RECOMMENDATION

A new quadrennial commission should be appointed to a four-year term. It should be supported by an Office of Personnel Management. The support office should have the following characteristics:

I. Mission

To advise the quadrennial commission on defined personnel matters relating to the executive, legislative, and judicial structure, and on the relationship to General Schedule grades 16, 17, and 18.

II. Organization

A. Report to the chairman of the commission.

B. Draw executive director from the private sector (four year term).

C. Have limited permanent government staff.

D. Have advisory committee composed of private sector compensation and evaluation executives (two year term).

E. Have advisory group composed of representatives of the Chief Justice, the Executive, and Legislative Branches and the Civil Service Commission.

III. Responsibilities

A. Provide staff support to the commission.

B. Advise the commission on an annual basis on the desirability of applying the annual comparability (cost of living) increase to the various levels and/or groups within its area of responsibility.

C. Submit an annual report of the "State of the System" to the commission.

D. Conduct appropriate salary surveys (to be done by industry advisory committee).

E. Establish and maintain a data base for tracking compensation information in all sectors of the economy.

F. Within one year from date of appointment, recommend a pay system which provides some recognition for individual performance. (The Commission was distressed to see how automatic the promotion and pay increase systems were - which is to say how often they seem to be based on seniority rather than performance. For example, when we tried to find out whether we were losing a higher proportion of the outstanding people, we found there was no way to identify who the outstanding people were.)

G. Monitor and recommend approval of the relevant job classifications in the Executive Levels and consult with the Civil Service Commission on the classifications and organization patterns in grades 16, 17, and 18.

H. Within one year from date of appointment, make recommendations on an improved classification system. In making this study, the Commission recommends the Office of Personnel Management give serious consideration to the so-called "broad band" approach previously examined by the Civil Service Commission. Under this concept, grades 16, 17, and 18 are merged into one group. The average per capita salary for an agency would be budgeted at a specified level, and then within certain limits, individual salaries could be set at the discretion of the agency head.

IMMEDIATE TASKS FOR A NEW PERMANENT COMMISSION

1. PENSION BENEFITS (see Appendix for Commission studies)

There are now 51 separate employees' retirement systems in the Federal Government. Benefits vary (e.g., for 35 years of service at age 65, 64% of final salary for Executive Branch employees, to 77% of final pay for Members of Congress, to 100% of final salary after ten years of service at age 70 for the Federal judiciary). Employee contributions vary (e.g., from 8% of gross salary in Congress to 7% in the Executive Branch to no contribution at all in the judiciary, except for 4.5% to an annuity system for survivor benefits).

Legislative committee jurisdiction varies. And because these pension programs - all within the Federal Government employee system - are operated independently rather than on an integrated basis, individuals are able to draw pensions from one plan (or more) while drawing a full salary from another source within the same government. This "double-dipping", as it is called by critics of the system, is a fruitful source of discontent for those citizens who observe from outside the government - but not outside the tax paying public.

Under all these circumstances, we should not be surprised at the lack of coherence - or even the lack of a rationale. But there are far larger issues at stake here than mere symmetry. There is the crucial question of costs, for example. Who, when it comes to funding, is watching the store?

On the funding issue, the Commission asked a panel of private sector experts to work with the Civil Service Commission to determine the degree of funding which would be required to fund Federal pension obligations at the same rate as leading American companies fund their systems.

While it is true that different experts may make different assumptions about future funding arrangements, we were stuck by the narrow range of estimates within which our private sector expert analysis fell. For example: current funding as a percentage of payroll should be between 33% and 40% (two to three times the rate in private industry); that present unfunded Federal pension liabilities total approximately $107 billion and that the generous 20-year early retirement program has led to the anomalous combination of high costs and high exit rates.

We have, in the course of our work on this issue, asked a few key members of both Houses if they were aware of these huge future pension costs, and the surprised responses have left us far from reassured. It is safe to assume that if this knowledge is not widespread in Congress, neither is the country aware of the size of these future obligations. The New York City analogy should not escape us.

We should ask as well whether the pension costs are fully considered when "comparability" is regularly assessed. From what the Commission has been able to determine in the short time available, it seems unlikely.

All this suggests that high on the agenda of the new full-time quadrennial commission should be a full review of all Federal pension programs, and whether the idea of such a permanent commission is adopted or not, the President should now ask for a review of several critical pension issues:

A. Variation in benefit levels and employee contributions - in all three branches and within the branches.

B. Cost assumptions - The current method of assuming stable cost projections in a time of steadily rising prices seriously underestimates, in our view, the future costs.

C. The early retirement program - its benefit levels, its cost and its overall effect.

D. How these pension costs should be reflected in both budgeting and funding procedures and how they should be communicated to the Legislative Branch - and, to be sure, to the people.

Contribution to Pension Costs of Executive Levels I-V

We feel we know enough already, however, to make one recommendation for modifying pension funding for those at Executive Levels, which would have an immediate favorable impact on "whole compensation" levels at no cost to the public. The Weber-Yankelovich study makes it clear that many people in these posts complain of a cash flow deficit while in government service, and a postponement of entry into the system would relieve some of this pressure and would, in any event, be only fair.

Current administrative provisions require that Executive Branch officials immediately, upon appointment, begin making a contribution of 7% of their salaries, after tax, to a pension fund. Judges do not make contributions at all, and Members of Congress may, with certain limitations, delay making payments until they wish to enter the plan, at which time they may make a lump sum payment, including interest. This provision for Congress, which the Commission believes to be wise, recognizes the inherent unfairness in requiring those whose tenure in government is likely to be brief to make immediate contributions, with the consequent negative effect on the individual's cash flow.

Study shows that the current average tenure for Members of Congress is approximately ten years. Tenure for those in the Executive Branch is less than three years. It appears obvious that the deferral option should be made available to the Executive Branch.

Recommendation

Each such executive should be permitted to defer contributions to the pension fund until the fifth anniversary date following the initial appointment. The contribution should include appropriate interest payments.

A note of caution is required. "Late funding" must be limited to certain Executive Level positions which have historically involved demonstrably brief tenure. If it is extended to all employees, it will further damage the already weak pension plan funding base.

2. LIFE INSURANCE BENEFITS

Some Illustrative Problems:

- The current level of life insurance provided to government employees by industry standards is inadequate. Most major companies provide two to three times earnings as insurance, often at no cost to the employee, versus about one time coverage in the government. Not only do government employees contribute to the insurance, but the cost per thousand is extremely high.

- The failure to require employees who retire early to continue to contribute to the cost of full insurance coverage until at least age 65 imposes an unfair cost burden on active individuals.

- Congress typically votes to give the surviving spouse of a Congressman an additional year's pay. This is not the case with members of other branches. The judiciary continues to feel that its joint survivor benefits are not adequate...in spite of the recent legislation on this matter.

As in other aspects of the Federal compensation program, the coherence of the insurance program throughout the Federal system would benefit from a system-wide review by the staff of the permanent quadrennial commission.

The Commission believes that even its cursory examination supports the following recommendations:

A. Increase normal coverage from one to two times earnings.

B. Establish a maximum insurance level.

C. Continue premium payments by all participants until age 65 or until the coverage drops to the post-retirement level.

3. CLASSIFICATION OF POSITIONS IN EXECUTIVE LEVELS

Virtually every government executive to whom the Commission spoke, including those in all three branches of government, expressed the view that the present process of assigning jobs to levels is inadequate. The reasons offered for this inadequacy were as follows:

A. The lack of a strong central control. This lack affects not only new jobs, but makes it almost impossible to re-evaluate previously established jobs where the work's content has eroded.

B. Job classifications have been created without adequate overview. It appears clear that some of the newer and more visible agencies and organizations, such as HEW and EPA, have received more favorable treatment than some of the more mature agencies, such as Defense.

Based on the testimony which the Commission received, it carried out two studies. By necessity, these studies were not comprehensive. One focused on Levels I, II, III, and IV. The other dealt with positions in Level V and General Schedule grades 16-18. Both were conducted by private sector specialists. A summary appears below:

Level	Number of Jobs Examined	Number Too Low	Number Too High	Total Judged To Be Improperly Classified
II	7	2	4	6
III	3	-	3	3
IV	6	-	4	4
V	13	-	2	2
GS-18	15	1	7	8
GS-17	7	1	1	2
GS-16	11	-	2	3
Total	62	4	23	27

When we remember that there are 5,144 jobs and we have sampled only 62 of these, it should not be concluded from the data shown above that the Commission believes that they are representative of all of the jobs. Neither should it be concluded that the Commission supports all of the individual task force recommendations on classifications. Rather, one should conclude that brief examinations of a small number of selected jobs were sufficient to verify the existence of a problem of significant magnitude. The problem should be addressed promptly if we are to avoid further deterioration of the classifications with the resultant unnecessary increase in cost.

The Problem of Proper Job Classification - Some Illustrations of Anomalies

The Commission's conclusion is that a significant number of Federal Government jobs, both in the super grades and Executive Levels, are evaluated erroneously.

But this is too serious and sophisticated a matter to be evaluated by the current Quadrennial Commission, preoccupied as it has been by coming to grips with the urgent realities of the salary situation in only a few weeks' period. What follows, then, is designed to illustrate the problem, not a proposal to resolve it.

Perhaps the example of the Chairman of the Federal Reserve Board will serve to punctuate the anomalous nature of the classification problems.

By any standard, the Chairman of the Federal Reserve Board has responsibilities that one could argue are roughly equivalent to the Secretary of the Treasury. His position has many aspects of a career job - given the fourteen year tenure. Thus, it does not offer the prospect of a short government career. The internal relationships within the "government" banking institutions are more than anomalous. They are incomprehensible. The President of the New York Federal Reserve Bank is paid $97,500 versus the $44,600 Level II salary of the Chairman of the Federal Reserve Board.

An equally irrational classification result is the enormously important job of Director of the Office of Management and Budget, who constantly negotiates with Cabinet members on critical budget matters on behalf of the President, yet is still classified as Level II; i.e., at the level of an Undersecretary.

It can thus be seen that a permanent quadrennial commission would have a full plate from which to dine. Pensions, insurance, cost of living, reclassification of job levels - all are illustrative of ongoing problems which directly affect salary levels, form a serious portion of "whole compensation" and cannot be ignored for four years only to be swept under the rug once again as a commission such as ours seeks to do its job in the allotted time. The expenditure of a few hundred thousand dollars is a low price to pay to bring order and coherence to a civilian pay system which costs the tax payers some $45 billion per year, and which could after a few years return substantial money savings as well.

Mr. President,

We are pleased to report that we are in unanimous agreement on our recommendations, and that there are no dissents on the content of the report.

Respectfully submitted on behalf of the Commission,

Peter G. Peterson
Chairman,
Commission on Executive, Legislative
and Judicial Salaries

Commissioners:

Charles T. Duncan
Edward H. Foley
Sherman Hazeltine
Lane Kirkland
Joseph F. Meglen
Norma Pace
Bernard G. Segal
Chesterfield Smith

APPENDIX A

ORGANIC STATUTE FOR THE COMMISSION ON EXECUTIVE, LEGISLATIVE, AND JUDICIAL SALARIES

Section 225 of Public Law 90-206 (81 Stat. 613, 642), as amended by section 6(a) of Public Law 91-375 (84 Stat. 719, 775), and section 206(a) of Public Law 94-82 (89 Stat. 419, 423) (2 U.S.C. 351-361)

Sec. 225. (a) ESTABLISHMENT OF COMMISSION.--There is hereby established a commission to be known as the Commission on Executive, Legislative, and Judicial Salaries (hereinafter referred to as the "Commission").

(b) MEMBERSHIP --

(1) The Commission shall be composed of nine members who shall be appointed from private life, as follows:

(A) three appointed by the President of the United States, one of whom shall be designated as Chairman by the President;

(B) two appointed by the President of the Senate;

(C) two appointed by the Speaker of the House of Representatives; and

(D) two appointed by the Chief Justice of the United States.

(2) The terms of office of persons first appointed as members of the Commission shall be for the period of the 1969 fiscal year of the Federal Government, except that, if any appointment to membership on the Commission is made after the beginning and before the close of such fiscal year, the term of office based on such appointment shall be for the remainder of such fiscal year.

(3) After the close of the 1969 fiscal year of the Federal Government, persons shall be appointed as members of the Commission with respect to every fourth fiscal year following the 1969 fiscal year. The terms of office of persons so appointed shall be for the period of the fiscal year with respect to which the appointment is made, except that, if any appointment is made after the beginning and before the close of any such fiscal year, the term of office based on such appointment shall be for the remainder of such fiscal year.

(4) A vacancy in the membership of the Commission shall be filled in the manner in which the original appointment was made.

(5) Each member of the Commission shall be paid at the rate of $100 for each day such member is engaged upon the work of the Commission and shall be allowed travel expenses, including a per diem allowance, in accordance with section 5703(b) of title 5, United States Code, when engaged in the performance of services for the Commission.

(c) PERSONNEL OF COMMISSION --

(1) Without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates, and on a temporary basis for periods covering all or part of any fiscal year referred to in subsection (b) (2) and (3) of this section--

(A) the Commission is authorized to appoint an Executive Director and fix his basic pay at the rate provided for level V of the Executive Schedule by section 5316 of title 5, United States Code; and

(B) with the approval of the Commission, the Executive Director is authorized to appoint and fix the basic pay (at respective rates not in excess of the maximum rate of the General Schedule in section 5332 of title 5, United States Code) of such additional personnel as may be necessary to carry out the function of the Commission.

(2) Upon the request of the Commission, the head of any department, agency, or establishment of any branch of the Federal Government is authorized to detail, on a reimbursable basis, for periods covering all or part of any fiscal year referred to in subsection (b) (2) and (3) of this section any of the personnel of such department, agency, or establishment to assist the Commission in carrying out its function.

(d) USE OF UNITED STATES MAILS BY COMMISSION--The Commission may use the United States mails in the same manner and upon the same conditions as other departments and agencies of the United States.

(e) ADMINISTRATIVE SUPPORT SERVICES--The Administrator of General Services shall provide administrative support services for the Commission on a reimbursable basis.

(f) FUNCTION--The Commission shall conduct, in each of the respective fiscal years referred to in subsection (b) (2) and (3) of this section, a review of the rates of pay of--

(A) the Vice President of the United States, Senators, Members of the House of Representatives, the Resident Commissioner from Puerto Rico, the Speaker of the House of Representatives, the

the President pro tempore of the Senate, and the majority and minority leaders of the Senate and the House of Representatives;

(B) offices and positions in the legislative branch referred to in subsections (a), (b), (c), and (d) of section 203 of the Federal Legislative Salary Act of 1964 (78 Stat. 415; Public Law 88-426);

(C) justices, judges, and other personnel in the judicial branch referred to in sections 402(d) and 403 of the Federal Judicial Salary Act of 1964 (78 Stat. 434; Public Law 88-426); and

(D) the Governors of the Board of Governors of the United States Postal Service appointed under section 202 of Title 39.

Such review by the Commission shall be made for the purpose of determining and providing--

(i) the appropriate pay levels and relationships between and among the respective offices and positions covered by such review, and

(ii) the appropriate pay relationships between such offices and positions and the offices and positions subject to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United Stated Code, relating to classification and General Schedule pay rates.

(g) REPORT BY THE COMMISSION TO THE PRESIDENT--The Commission shall submit to the President a report of the results of each review conducted by the Commission of the offices and positions within the purview of subparagraphs (A), (B), (C), and (D) of subsection (f) of this section, together with its recommendations. Each such report shall be submitted on such date as the President may designate but not later than January 1 next following the close of the fiscal year in which the review is conducted by the Commission.

(h) RECOMMENDATIONS OF THE PRESIDENT WITH RESPECT TO PAY--The President shall include, in the budget next transmitted by him to the Congress after the date of the submission of the report and recommendations of the Commission under subsection (g) of this section, his recommendations with respect to the exact rates of pay which he deems advisable, for those offices and positions within the purview of subparagraphs (A), (B), (C), and (D) of subsection (f) of this section. As used in this subsection, the term "budget" means the budget referred to in section 201 of the Budget and Accounting Act, 1921, as amended (31 U.S.C. 11).

(i) EFFECTIVE DATE OF RECOMMENDATIONS OF THE PRESIDENT--

(1) Except as provided in paragraph (2) of this subsection, all or part (as the case may be) of the recommendations of the President transmitted to the Congress in the budget under subsection (h) of this section shall become effective at the beginning of the first pay period which begins after the thirtieth day following the transmittal of such recommendations in the budget; but only to the extent that, between the date of transmittal of such recommendations in the budget and the beginning of such first pay period--

(A) there has not been enacted into law a statute which establishes rates of pay other than those proposed by all or part of such recommendations,

(B) neither House of the Congress has enacted legislation which specifically disapproves all or part of such recommendations, or,

(C) both.

(2) Any part of the recommendations of the President may, in accordance with express provisions of such recommendations, be made operative on a date later than the date on which such recommendation otherwise are to take effect.

(j) EFFECT OF RECOMMENDATIONS OF THE PRESIDENT ON EXISTING LAW AND PRIOR PRESIDENTLAL RECOMMENDATIONS--The recommendations of the President transmitted to the Congress immediately following a review conducted by the Commission in one of the fiscal years referred to in subsection (b) (2) and (3) of this section shall be held and considered to modify, supersede, or render inapplicable, as the case may be, to the extent inconsistent therewith--

(A) all provisions of law enacted prior to the effective date or dates of all or part (as the case may be) of such recommendations (other than any provision of law enacted in the period specified in paragraph (1) of subsection (i) of this section with respect to such recommendations), and

(B) any prior recommendations of the President which take effect under this section.

(k) PUBLICATION OF RECOMMENDATIONS OF THE PRESIDENT--The recommendations of the President which take effect shall be printed in the Statutes at Large in the same volume as public laws and shall be printed in the Federal Register and included in the Code of Federal Regulations.

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